AUSTRALIAN ENERGY REGULATOR

25 August 2026

To Whom It May Concern:

Submission to the Remuneration Tribunal

Review of Remuneration of Full-Time Public Offices

Introduction

This submission is made in support of myself, my colleague Members of the Australian Energy Regulator and my colleagues right across Commonwealth regulatory bodies whose office holders are within the Remuneration Tribunal's jurisdiction. I am the Chair of the Regulator Leadership Cohort but this is not a formal submission from the Cohort.

The submission is made in the spirit of the Tribunal's consultation process and with an appreciation of the important public interest considerations that necessarily attend remuneration for holders of public office. Remuneration for public office cannot be considered solely through the lens of private sector remuneration, and the opportunity to serve the community, exercise public authority and contribute to important national outcomes forms an important part of the overall value proposition of public office.

At the same time, it is critical that the remuneration framework continues to support the capability, independence and effectiveness of Australia's regulatory institutions.

The regulatory environment has become increasingly complex. Regulators are routinely required to exercise independent statutory judgement in circumstances involving significant economic, social, environmental and public policy consequences. They must attract and retain people with diverse, yet highly specialised expertise, operate under intense public and parliamentary scrutiny, manage substantial organisations and budgets, and make decisions where the consequences of error can be considerable.

The remuneration framework should recognise these characteristics while remaining transparent, proportionate and defensible.

The Tribunal's consultation paper provides an important opportunity to consider this issue comprehensively. In particular, the Tribunal itself notes that cumulative remuneration adjustments over the past decade have been below inflation and broader wage movements, and that for some offices remuneration may consequently have declined both in real terms and relative to broader wage movements. The Tribunal also recognises the risk that reliance on historical internal relativities can perpetuate settings that no longer reflect changes in work value.

The submission therefore supports a review that considers not only the absolute level of remuneration, but also the structural relativities within the public sector and the capacity of the framework to sustain the capability required of contemporary regulatory institutions.

The importance of regulatory capability

The effectiveness of a regulator depends heavily on the quality and depth of its institutional capability. This includes expertise in economics, law, finance, engineering, infrastructure, energy, markets, competition, social policy, consumer protection, data, technology and other highly specialised fields.

The responsibilities of regulatory office holders are also distinctive. They frequently involve:

- the exercise of statutory powers independently of government;
- decisions with substantial consequences for consumers, businesses, investors, the environment and the broader economy;
- responsibility for organisations employing highly specialised workforces;
- significant financial and reputational risk;
- extensive parliamentary, judicial, media and public scrutiny;
- decisions that may be contested by parties with substantial financial and legal resources; and
- responsibility for maintaining confidence in the integrity and independence of the regulatory system.

These characteristics mean that regulatory capability should properly be regarded as a form of public infrastructure.

The cost of not investing in that capability is not confined to the remuneration budget. It may manifest through difficulty recruiting suitably qualified leaders, shorter tenure, loss of institutional knowledge, reduced diversity of experience and greater reliance on a smaller pool of candidates.

A remuneration framework should therefore be assessed partly by whether it enables the Commonwealth to sustain the capability it requires from its regulators.

The cumulative effect of remuneration restraint

The consultation paper makes an important observation: cumulative remuneration adjustments over the past decade have been below inflation and broader wage movements, with the consequence that remuneration for some offices has declined in real terms and relative to broader wages.

The effect of prolonged restraint should not be assessed by examining any single annual decision in isolation. A series of modest or zero adjustments can produce a materially different outcome over time from the apparent significance of any individual decision.

The concern is not that remuneration should automatically be indexed to inflation or private sector wage growth. Such an approach would be inconsistent with the distinctive nature of public office and would overlook the Tribunal's legitimate responsibility to exercise judgement about work value.

Rather, the concern is that prolonged restraint can eventually become a structural change in the relative value of an office, without there having been a conscious decision that the work value of that office has declined.

That distinction is important.

Where responsibilities, complexity, statutory powers, organisational scale and external expectations have remained constant or increased, sustained remuneration restraint can result in the remuneration attached to the office no longer reflecting its underlying work value.

The Tribunal's acknowledgement of this risk provides a sound basis for addressing it through this comprehensive review.

The risk of devaluing regulatory expertise

Regulatory capability is accumulated over many years. It depends on people being willing to develop deep expertise in areas where the relevant skills are often highly valued outside government.

If senior regulatory roles become progressively less competitive relative to other public sector leadership positions and relevant external markets, the Commonwealth may find it increasingly difficult to attract the people it needs.

This risk is not necessarily visible through vacancy rates. A regulatory appointment can still be filled while the quality and breadth of the available candidate pool has diminished.

That is a more subtle, but potentially more consequential, measure of capability.

The Tribunal's consultation paper appropriately identifies attraction and retention of people of suitable calibre as a principle informing remuneration decisions.

The importance of appropriate relativities with the senior APS

The submission supports the Tribunal's proposal to consider senior APS remuneration as a more systematic comparator.

The senior APS provides an important reference point because many regulatory office holders operate at a level of responsibility, accountability and complexity comparable with senior APS leadership roles.

A materially lower remuneration setting for a role involving comparable organisational scale, statutory authority, accountability, expertise and consequence would create a structural inconsistency that should be capable of being justified by a clear difference in work value.

The current framework already recognises the usefulness of senior APS roles as structural comparators. The Tribunal is now considering whether this benchmarking should become more systematic. This submission supports that development. It would improve transparency and reduce the risk that historical relativities within the Full-Time Public Office cohort become self-reinforcing.

The labour market for regulatory leaders extends beyond government

However, regulators must recruit from two interconnected labour markets.

The first is the public sector itself. Regulatory leadership positions need to remain sufficiently attractive to senior public servants who may otherwise pursue senior departmental or other public sector roles.

The second is the external market.

Regulators require people with experience that is often developed in industry, professional services, financial markets, law firms, consulting, academia and other specialist environments.

The Commonwealth therefore cannot assume that public service motivation alone will provide an adequate supply of candidates. The opportunity to serve is always an important attraction to a statutory office, but in many cases it is balanced against the acceptance of a level of remuneration that is less than a candidate might receive in other roles. This consideration is particularly relevant when considering the expertise that is essential for the effective performance of a regulatory office.

Nor should the relevant comparison be limited to a narrow conception of private sector salary.

The Tribunal is correct that private sector positions are not straightforward comparators because they operate in a different institutional environment, with different accountability and reward structures.

Nevertheless, private sector remuneration remains relevant evidence of the opportunity cost of asking experienced specialists to enter or remain in public regulatory leadership. The appropriate question is not whether a regulatory office should "match the private sector".

The question is whether the total proposition remains sufficiently attractive to persuade people with the necessary expertise and experience to accept the responsibilities, constraints and scrutiny associated with public office.

This is particularly important where regulatory appointments require individuals to leave positions in which their specialist skills command substantial remuneration, forego performance-based or equity-based rewards, accept significant restrictions on future employment or professional activities, and assume responsibilities that may attract substantial personal and institutional scrutiny. These roles are usually only for fixed terms and there can be less certain career pathways and opportunities following this.

Remuneration restraint and lower-paid regulatory offices

The effects of the current framework are not uniform across the regulatory community.

A common percentage adjustment has a materially different impact depending on the remuneration level of the office. More importantly, lower-paid regulatory offices can experience greater difficulty maintaining appropriate relativities with senior APS positions and with specialist labour markets.

This raises a particular issue of equity within the framework. A future framework should therefore avoid an outcome in which lower-paid regulatory roles become less competitive relative to equivalent senior APS positions.

Superannuation should be considered as part of the value of the office

The treatment of superannuation warrants particular consideration in this review.

The Tribunal's current framework generally sets superannuation salary for members of defined benefit schemes on a less generous basis than arrangements applying in parts of the broader public sector.

The submission notes the existing rationale that the principal reward for work should be delivered through current remuneration rather than deferred retirement benefits.

However, the practical consequences of the current approach warrant closer consideration.

A remuneration framework that provides a lower superannuation salary than comparable public sector arrangements can create a material difference in lifetime remuneration, even where headline total remuneration appears comparable.

This is relevant to attraction and retention. For any paid employment at a senior level in Australia, superannuation is a material component of the overall remuneration offered. To reduce the superannuation benefits associated with a statutory office necessarily reduces that overall remuneration relative to other positions in the private or public sector.

An individual considering appointment to a regulatory office will reasonably consider not only current annual remuneration but also the effect of the appointment on their longer-term retirement position. This may be a particular deterrent to public servants, who may be deterred from seeking the opportunity to serve in a statutory office if they fear adverse implications for their retirement.

The principle that office holders should be remunerated appropriately for undertaking the responsibilities of their offices “today… rather than tomorrow, through their retirement benefit” makes more difficult the task of comparing the true remuneration for statutory offices with other roles, since it requires consideration of different superannuation benefits. This submission invites the Tribunal to consider whether this principle should be re-considered on the basis that it undermines the transparency of the present framework.

Independence and remuneration

Appropriate remuneration also supports regulatory independence.

This is not because higher remuneration makes an individual more independent in itself. Rather, independent statutory office requires an employment proposition that enables appropriately qualified individuals to accept the office without creating unnecessary financial disincentives associated with the constraints of the role.

Regulatory office holders may face restrictions on outside activities, significant conflicts-of-interest requirements, limitations on future employment, substantial public scrutiny and the possibility of decisions being challenged in courts or tribunals.

These features are intrinsic to the public value of the office.

The remuneration framework should therefore ensure that independence is supported and risk is rewarded through an appropriately structured and predictable remuneration proposition, rather than relying principally on the non-financial attraction of public service.

Conclusion

Remuneration for public office must be determined with appropriate regard to public sector circumstances, public confidence and fiscal responsibility.

The case advanced in this submission is not that regulatory office holders should be insulated from those considerations.

It is that the Commonwealth's regulatory capability is itself a matter of public interest and that remuneration settings are one of the mechanisms through which that capability is sustained.

The Tribunal's consultation paper provides an important foundation for this consideration. It recognises that remuneration has, over time, fallen behind inflation and broader wage movements; that historical relativities may no longer adequately reflect work value; that

senior APS roles provide an important structural comparator; and that attraction and retention of people of appropriate calibre is a core remuneration principle.

The objective should be a remuneration framework that is neither excessive nor artificially restrained, but one that appropriately values the responsibilities entrusted to holders of Commonwealth public office.

In the case of regulatory institutions, that means ensuring that the Commonwealth continues to have access to the calibre of leadership required to exercise significant statutory powers independently, competently and in the public interest.

That is ultimately not a question of remuneration for regulators. It is a question of maintaining the capability of the regulatory institutions on which the Australian community and economy depend.

Yours sincerely



Clare Savage

Chair, Australian Energy Regulator

Chair, Regulator Leadership Cohort