

National Water Reform 2026

Water Efficiency Submission to Productivity Commission

24 April 2026

Thank you for the opportunity to make a submission.

- We are a small volunteer group of Australian water efficiency specialists. We have consulted our colleagues in the industry and present a range of views.
- The submission responds to the Productivity Commission's call for submissions on Part A-1, where progress has been limited and why.
- We do not make representations on behalf of any other water stakeholders or businesses, including those noted in the submission. In practice, there is also a diversity of opinions within the group, and signatories do not universally support every point.

Introduction

Water efficiency is not an issue that can be addressed and then put to bed. Demand for water changes as society changes and we need to continually respond and adapt. Growth in real incomes, data centres, tourism and the urban heat island effect all increase or change the demand for water and opportunities for efficiencies. There is also a resourcing gap between the metropolitan and regional in some jurisdictions.

Water efficiency specialists have asked the Bureau of Meteorology to include water efficiency and demand management in the annual performance reporting for water utilities, and while some progress has been made, there is no firm commitment. It is difficult to effectively manage something that we are not consistently measuring. There is a strong community expectation for water efficiency programs, more so when we are in drought. Improving our reporting and transparency will help build accountability, performance improvement and community trust.

Successes

At the recent Water Efficiency Conference held in Melbourne 2025 we were told of significant demand management programs in the USA and UK, often based on Australian examples. Australia also has good examples of demand management programs. To name just a few that are having an impact:

- Water Efficient product rebate programs (top-rated WELS and Smart Drop)
- A soon-to-be-published by WSAA, Non-Residential Benchmarking tool funded by WSAA members
- New product innovation and successful trials (certified by Smart Drop) eg: ShowerStar
- Barwon Water and Melbourne Water targets and funding for water efficiency
- A Victorian state government-funded non-residential water efficiency program – Watersmart
- A NSW state government washing machine rebate program
- An award-winning NSW state government Water Loss Centre of Excellence Program
- Recent upscaling of community campaigns eg: Make Every Drop Count (Melbourne metro utilities), Breaking up with your bad habits (Water Corporation)

- WSAA members – Sydney Water, Unitywater, Taswater (and others) funding delivery of TWC schools water efficiency incursions
- WSAA members and Federal DCCEEW funding The Water Conservancy Water Night 26 for the 6th year running

We would like to see successful programs operate at scale and become common long-term programs in the industry.

Challenges

One issue is scale. Australia is building water infrastructure at the city scale to deliver 100GL - 200GL of additional water supply annually. Some of our best water efficiency and demand management programs in NSW have delivered 2-10GL of water savings since 2022. We might consider that, given the high ongoing infrastructure costs to customers, we should be achieving greater water savings relative to the volumes of supply augmentation.

How we determine our level of expenditure on water efficiency and infrastructure is important to long term equity and affordability. Water efficiency programs are annual operational expenditure, but supply infrastructure increases the asset base. Increases to the regulatory asset base impact on customers for 50-100 years, long after the infrastructure is built.

We have previously expressed views about water security and financial efficiency limitations relating to water efficiency in the Australian water industry:

- It is important that long-run-marginal-costs of water supply include all costs and don't sink capital costs, or that demand measures get equivalent incentives to balance the capital investment incentives (such as the Revenue Asset Base). Supply and demand solutions will be important in parallel and not in binary competition.
- Short run drought value approaches seem intuitive (such as ELWC - when there is an aggressive shift in the viability of water efficiency programs once dam levels drop below a level like 60%), but in reality this is usually too late for the most effective and financial water efficiency programs to spin up from nothing - the best programs would miss the moment.
- Water utilities are usually well-placed to drive customer water efficiency, but they seem to have a financial incentive (or arguably even a political imperative) to avoid revenue risks, which could be seen to include most effective forms of water efficiency - due to perceived revenue impacts.
- There is concern that in practice water utilities are free to self-assess the economic efficiency of potential water efficiency opportunities, leaving the risk that they might choose to not look very hard for opportunities due to the reasons above.
- This is not to say that there aren't incredible people still working around this to make great work happen across the country - but at the moment we're making that harder and more fragile than it needs to be.

A specific concern was that water efficiency should be considered and funded as for any supply option. Water Efficiency is currently being considered as an afterthought, after supply options have been considered, and as a result, reduces income to pay for the supply option, whereas reduced income is not an issue if you reduce capital expenditure. (note the term expenditure rather than investment). This is an important consideration in prudent capital and operating expenditure.

Demand managers talk about a two-speed attitude to water efficiency and demand management. When Australia has lots of rain and dams are full, there is a very slow take-up and little discussion of demand management. When the paddocks are dusty, and the dam levels are falling rapidly, there is a high-speed intensity from the community, media and eventually government demanding action. These short-term responses may be neither efficient nor strategic.

Conclusion

We have had nearly two decades of fairly reliable rainfall in Australia. The take-home message from the Millennium Drought was that it is highly desirable to develop and maintain water efficiency programs when we are not in drought. Demand management programs take years to set up and implement, and, like BASIX in NSW, can deliver savings equivalent to a desalination plant over decades. This submission shows strong links between water efficiency, long term equity and affordability, prudent capital expenditure and community trust. Some members of the group cannot resist sporting analogies; in water efficiency, we need to take a long, hard look at ourselves and not drop the ball.

Kind regards

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