24 April 2026

Ms Joanne Chong
Commissioner
Productivity Commission

Via: Online Submission

Dear Ms Chong

Re: National Water Reform 2026, Call for Submissions

The Queensland Water Directorate (***qldwater***) welcomes the opportunity to provide this submission to the Productivity Commission's 2026 National Water Reform inquiry. ***qldwater*** is the central advisory and advocacy body for Queensland's urban water service providers (WSPs), working with members to support the delivery of safe, secure and sustainable urban water (drinking water and sewerage) services.

We represent all 73 Queensland WSPs with domestic connections: two Torres Strait Island Councils, 15 Aboriginal Councils, all 52 non-Indigenous Councils, the council-owned Statutory Authorities in South-East Queensland (Urban Utilities and Unitywater) and two State-Government-owned corporations. Together our members operate 370 water supply schemes and 265 sewage schemes, servicing approximately 1.98 million sewerage and 2.15 million drinking water connections. These numbers are set to substantially increase with current and projected population growth.

This submission is structured to respond directly to the Commission's Call for Submissions, addressing Part A (progress since the 2024 NWI assessment against the four priorities the Commission identified for Queensland) and Part B (Secure, resilient and sustainable services). An Executive Summary with recommendations follows on the next page.

This submission is provided without prejudice to our members and other WSPs. Comments are limited to urban water services and do not extend to stormwater services. The limited response window, falling over the holiday period and within Queensland's High-Risk Weather Season, has constrained sectoral feedback.

qldwater welcomes the opportunity for further engagement with the Commission. Please do not hesitate to contact me if you have any questions or require further information.

Yours sincerely

Chief Executive Officer
Mobile:

Executive Summary

Queensland's urban water sector is at a critical point. Essential infrastructure is ageing rapidly, the regulatory burden is growing, climate impacts are accelerating, and developer-charge caps combined with political pressure to suppress retail prices are preventing full cost recovery. Against this backdrop, Queensland has made real but uneven progress against the four priorities the Commission identified in its 2024 assessment. A number of emerging pressures warrant explicit attention to support secure, resilient and sustainable services across the urban water sector.

This submission makes the following recommendations for the Commission's consideration:

Progress against 2024 Queensland priorities (Part A)

Recommendation 1. **First Nations Water Strategy:** The Commission should recommend that Queensland publish and begin implementing its First Nations Water Strategy, with funded actions addressing the training and infrastructure deficits documented in Indigenous Council water supplies.

Recommendation 2. **Water security infrastructure:** Programs of approved investment, such as the Southwest Queensland Water and Sewerage Alliance Infrastructure Strategy (March 2025), which identifies an approximate $90 million funding requirement, should be prioritised.

Recommendation 3. **Urban Water Risk Assessment:** The Urban Water Risk Assessment program is continued and expanded, with funding for further asset condition investigations across remote and regional areas, together with the public release of the Assessment and QTC Funding and Affordability outputs so that risks and funding gaps are visible to communities, regulators and policymakers.

Recommendation 4. **Independent economic regulation and CSOs:** Queensland should progressively expand independent economic regulation to all urban providers and replace opaque capital grants with transparent Community Service Obligation (CSO) payments.

Secure, resilient and sustainable services (Part B)

Theme 1 — Pricing and economic regulation

Recommendation 5. **Full cost recovery for growth:** The Queensland Government's Maximum Adopted Charge (MAC) should be reviewed to determine a cost-reflective price for the MAC, consistent with the NWI principles.

Recommendation 6. **Priority Development Areas:** Legislative settings governing Priority Development Areas (PDAs) should be reformed so that water service providers can recover infrastructure charges for existing trunk water and sewerage assets servicing PDAs.

Recommendation 7. **Fit-for-purpose regulatory approach for asset management:** Occupational-licensing and operational-regulation settings should be reviewed so that qualified water network operators can maintain sewerage assets cost-effectively, consistent with the Queensland Productivity Commission's 2025 recommendation to review occupational licensing.

Theme 2 — Governance, accountability and coordination

Recommendation 8. **Integrated water development planning:** Regional water development planning be strengthened to support future requirements related to urban water and wastewater services.

Recommendation 9. **Source-based contaminant regulation:** Regulation of PFAS, microplastics and other emerging contaminants should shift upstream to source control, rather than placing the compliance burden on passive-receiver wastewater utilities.

Recommendation 10. **Transparency of risk data:** Governments should publish relevant investigations and assessments on urban water risk so that communities and the Commission can understand the evidence base and assess progress

Theme 3 — Regional, remote and equity considerations

Recommendation 11. **First Nations water services:** Governments should ensure targeted funding for First Nations water services to support training and technical assistance.

Recommendation 12. **Funding for asset condition assessments.** Government provide further support for additional asset condition investigations across remote and regional areas.

Recommendation 13. **CSO for remote and rural WSPs.** Introduce CSO for remote and rural WSPs to allow them to better plan to address workforce and infrastructure challenges and more effectively deliver drinking water to the community.

Recommendation 14. Expansion of state and federal funding programs (including National Water Infrastructure Fund) to include costs for operations and maintenance, and personnel costs including the appropriate and comprehensive training of all personnel to meet minimum defined competency standards.

Theme 4 — National consistency and intergovernmental coordination

Recommendation 15. **Fit-for-purpose regulation across scales:** Adopt scale- and risk-appropriate regulation of WSPs, ensuring fit-for-purpose approach that recognises the disproportionate compliance burden a one-size-fits-all framework places on small and remote providers.

Recommendation 16. **Climate adaptation funding:** Government funding should explicitly support urban water climate-adaptation investment.

Previous findings

The Productivity Commission's 2024 inquiry on progress under the National Water Initiative (NWI) identified the following key priorities for Queensland:

- finalise and implement its First Nations Water Strategy
- progress its current program of approved water security infrastructure projects, focusing on cost-effective investments
- continue its Urban Water Risk Assessment program to understand drinking water quality, water supply security and water and sewerage service delivery risks across remote and regional Queensland, and
- expand independent economic regulation for urban providers and replace capital grant funding for regional urban providers with transparent community service obligation payments.

The 2024 report also noted that:

- under-pricing is likely to be continuing for regional utilities in Queensland, and subsidies are not being structured as transparent Community Service Obligations (CSOs)
- Queensland is moving further away from full cost recovery for water services, and
- water retailers in Queensland are not subject to economic regulation, although South-East Queensland's bulk water provider, Seqwater, is subject to price recommendations from the Queensland Competition Authority (QCA).

The report acknowledged Queensland's specific challenges around population growth and escalating climate impacts.

Scope of Inquiry

The Productivity Commission is conducting its fourth inquiry on governments' progress under the NWI. The terms of reference also require the Commission to advise on ways to promote a more sustainable water service industry to inform further work by governments to refresh Australia's water policy.

The Commission has requested responses with respect to:

- Progress against the NWI, barriers and emerging risks, and forward reform priorities (Part A)
- Whether current pricing, economic regulation and governance arrangements for the water services industry are delivering secure, resilient and sustainable services (Part B).

This submission aligns with those two requests. We note that some of the responses below included under Part A are also relevant to Part B, and vice versa.

Part A — Progress since the 2024 NWI Assessment

The following response structured around the four priorities the Commission identified for Queensland in 2024.

A.1 First Nations Water Strategy

Queensland's First Nations Water Strategy has been under development but is yet to be finalised and publicly released. The situation on the ground remains acute. A survey of Indigenous Council skilling requirements (Queensland Health Indigenous water operators training gap analysis project, 2023) highlighted deficits across the State's Aboriginal and Torres Strait Island Councils, which operate drinking water supplies for remote and very remote communities. More than three-quarters of water operators in Indigenous Councils in Queensland require training in sampling and testing of drinking water; the application of drinking water guidelines; coliform testing; and the identification and response to water quality problems.

These statistics highlight a fundamental need for basic skills that support the provision of safe drinking water in First Nations communities. The Queensland Government is actively pursuing this objective, but visible, funded action tied to the forthcoming Strategy is overdue.

Recommendation 1: The Commission recommend that Queensland publish and begin implementing its First Nations Water Strategy, with funded actions addressing the training and infrastructure deficits documented in Indigenous Council water supplies.

A.2 Water Security Infrastructure Program

The Southwest Queensland Water and Sewerage Alliance (SWQWSA) Infrastructure Strategy (March 2025) provides a regional-scale, detailed review of water and sewerage infrastructure across six councils in Southwest Queensland. It includes a criticality assessment to prioritise risk based on an asset's strategic importance and potential public-health impact if it were to fail, and a multi-year program of works to address the risks identified. The strategy documents a requirement for funding support of approximately $90 million to enable Southwest Queensland councils to address critical infrastructure risks, and to address less-critical risks over a 10-year period. Despite this evidence base, no support has been committed.

Recommendation 2: Programs of documented risks and suggested investment, such as the Southwest Queensland Water and Sewerage Alliance Infrastructure Strategy (March 2025), which identifies an approximate $90 million funding requirement, should be prioritised.

A.3 Urban Water Risk Assessment

In 2023–24, the Queensland Department of Local Government, Water and Volunteers (DLGVW) undertook an Urban Water Risk Assessment, a multi-million-dollar review that considered all WSPs outside SEQ and provides insight on current risks and sector-wide challenges. The assessment remains unpublished.

In parallel, Queensland Treasury Corporation (QTC) has completed the Funding and Affordability Project, also initiated by the DLGWV. That report has been finalised and sent to the Department. It is not for public release.

The lack of transparency around data and risk materially limits public accountability and is inconsistent with good regulatory practice. Without transparency and discussion, communities do not understand their exposure to urban water risks, and decision-makers are not held to account for whether funding is directed at the greatest risks.

The Queensland Audit Office has documented some of the complexity and risks associated with the delivery of drinking water in regional and remote areas, concluding that "workforce and infrastructure challenges can be a cause or contribute to non-compliances and water incidents" and that "better planning will help councils to address workforce and infrastructure challenges and more effectively deliver drinking water to the community".[1]

Recommendation 3: The Urban Water Risk Assessment program is continued and expanded, with funding for further asset condition investigations across remote and regional areas, together with the public release of the Assessment and QTC Funding and Affordability outputs so that risks and funding gaps are visible to communities, regulators and policymakers.

A.4 Independent Economic Regulation and CSO Transition

Progress on expanding independent economic regulation for urban providers and replacing capital grant funding with transparent CSOs has been limited and in some respects is moving in the wrong direction.

The QCA can regulate retail water prices under section 23A of the *Queensland Competition Authority Act 1997* (Qld). These powers are broadly applicable not only to water utilities but the water business/units in larger councils.

In September 2025, the Queensland Government directed the QCA to conduct a price-monitoring investigation into the monopoly business activities of Unitywater and Urban Utilities for the period 1 July 2026 to 30 June 2030. Unitywater (City of Moreton Bay, Noosa Council and Sunshine Coast Council) and Urban Utilities (Brisbane City Council, Ipswich City Council, Lockyer Valley Regional Council, Scenic Rim Regional Council and Somerset Regional Council) are council-owned distributor-retailers responsible for delivering drinking, recycled and other water, collecting and treating sewerage, and charging for these services.

While these businesses set their own prices, the referral notice frames the investigation as an "informative process rather than determinative" and makes several references to the "cost of living crisis". The QCA investigation is two-staged:

- Part 1 — an interim report in May 2026, for the period 1 July 2026 to 30 June 2027; and
- Part 2 — a draft report in December 2026, followed by a final report in April 2027, for the period 1 July 2027 to 30 June 2030.

We support pricing transparency for the education and wellbeing of customers, and as a tool for appropriate investment and innovation across the sector. However, the ongoing financial sustainability of the businesses should be the focus of the QCA review, as this will be in the long-term interest of customers.

We are concerned by the departure from the QCA's standard determination process, the lack of clarity around Stage 1, and the absence of any provision for public consultation in Stage 1. Public consultation is vital for better decision-making, building trust and ensuring prices are fair.

The referral notice seeks to determine capital expenditure and a regulated asset base (RAB) back to 2013 for prudency and efficiency purposes. ***qldwater*** does not support a review of previous

[1] QAO Managing Queensland's Regional Water Quality Report (18 December 2024) https://www.qao.qld.gov.au/reports-resources/reports-parliament/managing-queenslands-regional-water-quality#h2-4

expenditure in the absence of a prior regulatory oversight regime. We have requested that the QCA adopt a prospective-only approach, commencing 1 July 2026, so that review focuses on future efficiency rather than retrospective litigation of decisions made under a different policy environment.

We are also concerned by the direction in the cover letter that the "Authority's findings should prioritise achieving reductions in distributor-retailers' prices", again alongside repeated references to the cost of living. Retail water pricing in SEQ has not exceeded CPI, and complaints to the Energy and Water Ombudsman Queensland have been falling (a 24% decrease in complaints in 2024-2025 compared with the previous year[2]).

Further, the modest increases in retail water prices in SEQ raise serious concerns about utilities' capacity to fund essential infrastructure renewal. This comes at a time when the sector is facing an escalating infrastructure renewal cliff, the compounding costs of deferred investment, rising workforce, electricity and insurance expenses, growing cybersecurity obligations, higher construction and materials costs, and the increasing burden of regulatory compliance.

We have therefore requested that the QCA undertake the current investigation with due consideration that water retailers' prices may need to increase if the sector is to manage its increasing cost pressures, regulatory burden and obligations to continue supplying safe drinking water and urban water services to a rapidly increasing customer base.

Research and case-study analysis undertaken by ***qldwater*** demonstrate that an overriding focus on minimising customer bills in the short term ultimately undermines the financial health of water businesses. Generating an operating surplus is essential to long-term sustainability, providing the capacity to address emerging risks early and maintain a buffer to manage both expected and unforeseen costs.

Recommendation 4: Queensland should progressively expand independent economic regulation to larger urban providers (this will require support given service providers will not have the expertise to positively participate); and replace opaque, competitive capital grants with transparent Community Service Obligation (CSO) payments for regional and remote communities.

[2] Energy and Water Ombudsman Queensland, 2024-25 Annual Report. Page 35. https://www.ewoq.com.au/files/assets/public/v/1/publications/annual-report/2024-25-annual-report-energy-and-water-ombudsman-queensland.pdf

Part B — Secure, resilient and sustainable services

The following responds to the Commission's four themes in Part B of the Call for Submissions: pricing and economic regulation; governance, accountability and coordination; regional, remote and equity considerations; and national consistency and intergovernmental coordination.

B.1 Theme 1 — Pricing and Economic Regulation

B.1.1 Developer charges are inadequate

The Queensland Government's ShapingSEQ 2032 Regional Plan provides a framework for building nearly 900,000 new homes in SEQ by 2046, to accommodate an expected 2.2 million new residents. Most of these homes will be built within the service areas of Urban Utilities and Unitywater, with many new developments within newly created Priority Development Areas (PDAs). Current planning decisions are not adequately considering the criticality of the urban water sector in supporting residential development across Queensland (not just SEQ).

The Queensland Planning Act sets a maximum adopted charge (MAC) that local governments can levy for trunk infrastructure, including water supply and sewerage infrastructure. For new homes in Queensland, the MAC is around $28,000 for a dwelling with three or more bedrooms. These charges are designed to pay for trunk infrastructure but are capped by the State Government. Local governments cannot charge more than this maximum despite a shortfall against the actual cost to WSPs of providing this infrastructure.

The adoption of a MAC contradicts the NWI principles of full cost recovery by capping investment by developers into trunk infrastructure. Those costs are shifted onto current and future water users, while the developer removes profit from the system. If NWI principles were followed, that margin would have been invested in trunk infrastructure capacity of the water services collection, distribution and treatment assets.

In SEQ, infrastructure charges have historically covered only 50% of costs to local government.[3] With respect to water services, existing water customers are subsidising new development at around $200 per connection per year[4]. This is inconsistent with NWI pricing principles and, absent correction, is a material and growing transfer from existing customers to new development.

Since its inception, the MAC has not increased in line with inflation, so a widening gap between funding and investment costs has evolved for Councils and utilities. Local Government Association of Queensland (2023) research indicates that a 22% increase is required to the capped infrastructure charge immediately.

Recommendation 5: That a review be undertaken to determine a cost-reflective price for the MAC, consistent with the NWI principles.

When PDAs are declared by the Queensland Government, the State collects infrastructure charges and does not allow funding of existing trunk infrastructure within the precinct. This means water service providers do not recover budgeted charges for already-installed lead trunk infrastructure and further reduces cost recovery. The legislation governing PDAs is in direct conflict with NWI principles. There is no head of power for Urban Utilities or Unitywater to obtain trunk infrastructure charges in a PDA, and no agreement in place to share the infrastructure charges received when

[3] https://www.lgaq.asn.au/files/assets/public/v/1/advocacy/publications-files/lgaq_infrastructure_charging_and_funding_framework_190424.pdf?utm_source

[4] Personal correspondence to *qldwater* CEO.

utilities deliver new sub-regional infrastructure that supports a PDA. A more equitable arrangement is needed to deliver essential water infrastructure, support more affordable housing, and deliver value for current and future customers.

Recommendation 6: Legislative settings governing Priority Development Areas (PDAs) should be reformed so that water service providers can recover infrastructure charges for existing trunk water and sewerage assets servicing PDAs.

B.1.2 Asset and service sustainability

While numerous reports and reviews have identified the ageing of Queensland's urban water infrastructure and a lack of maintenance and renewal, the short-term focus on keeping water prices and rates low has taken priority. As a result, water businesses have produced little to no operating surplus with which to build a financial buffer.

In SEQ, while there are large numbers of connections, the problem has been exacerbated by "payments to owners" and increasing water demand within a fixed tariff structure. Amongst other things, this has meant that high-volume customers are being subsidised by those who use water more frugally.

As well as ageing infrastructure, Queensland's networks contain the highest proportion in Australia of asbestos cement pipe mains, constructed in a relatively short period in the late 1950s–early 1960s. These assets are showing an exponential increase in failure and require imminent replacement. In SEQ, this presents a particular challenge, and high cost, given development density and access issues.

Licensing requirements in Queensland for personnel clearing blockages from, and servicing, key infrastructure also add to these costs. Much of the work unnecessarily requires full excavation rather than addressing the issue from internal access points. ***qldwater*** has written to the Queensland Government on this matter since 2024 but has received no response. We note the Queensland Productivity Commission (QPC) Final Report Opportunities to Improve the Productivity of the Construction Industry (October 2025), in particular Section 17 (Occupational Licensing) and Recommendation 53 of the QPC report to review occupational licensing to ensure it is fit-for-purpose. While the QPC report was limited to housing construction, the general comments on occupational licensing support ***qldwater***'s request to permit qualified water network operators to access residential properties (access points to sewer) for blockage clearance. This would streamline approval processes and remove barriers for local councils to maintain sewerage assets cost-effectively.

The combination of asset age and excessive regulatory, licensing and other demands is putting pressure on the resources available to water and wastewater networks. A lack of financial reserves means the cost of renewal will grow beyond the capacity of many water businesses to fund into the future, risking sudden and significant price increases to recover the costs of a rapidly growing maintenance and renewal backlog.

Recommendation 7: Adopt a more fit-for-purpose regulatory approach towards water service delivery and asset management. Occupational-licensing and operational-regulation settings should be reviewed so that qualified water network operators can maintain sewerage assets cost-effectively, consistent with the Queensland Productivity Commission's 2025 recommendation to review occupational licensing.

B.2 Theme 2 — Governance, Accountability and Coordination

B.2.1 Integrated water development planning

There are uncoordinated and competing water demands across Queensland: population growth, green hydrogen, critical minerals, sustainable liquid fuels, the 2032 Brisbane Olympic and Paralympic Games, overlaid with climate change. Notwithstanding Queensland's well-developed statutory water planning framework, the State has no integrated water development planning, leading to poor water security and water reliability outcomes for many water catchments[5], including those in SEQ. The Queensland Government's Regional Water Assessments have not yet delivered viable answers for the communities they serve.

A place-based approach to regional water development planning is required, incorporating the integrated needs of development, industry (primary, secondary and tertiary), communities and the environment. Infrastructure projects under investigation need to consider water reliability, availability, quality and future demand across all stakeholders. The urban water sector is at risk of cross-subsidising lower-priority water users (e.g. irrigators, green technologies), and transparency in the planning of major infrastructure projects is required to ensure the needs of the urban water sector are incorporated.

Recommendation 8: Regional water development planning be strengthened to support future requirements related to urban water and wastewater services.

B.2.2 Regulatory burden and source-based contaminant regulation

Urban water providers are facing an increasingly complex regulatory burden, driving both infrastructure and operational cost increases. This is particularly evident in the expanding regulation of known and emerging contaminants of concern. WSPs are bearing increasing liability despite being passive receivers (of both drinking water sources and wastewater) with no control over the sources of these contaminants entering Australia. The current regulatory emphasis on managing contaminants at the end of pipe, rather than at source, is inherently inefficient and significantly more costly.

Wastewater treatment plants provide a critical public service. Existing plants are unable to control much of the emerging and persistent contaminants (such as PFAS and microplastics) that enter the infrastructure and are not destroyed by standard technologies and processes. The costs of advanced treatment processes to manage these contaminants to regulated levels (current and future) are extraordinarily high. Biosolids contamination with emerging contaminants is also jeopardising beneficial reuse — if biosolids cannot be reused, they must be disposed of, and those disposal costs, and any related tax liability, will ultimately be borne by customers.

Catchment quality across Queensland, and indeed Australia, has been deteriorating despite increasing regulation and enforcement. According to the Healthy Land and Water 2025 Report Card for SEQ:

> *"… high catchment pollutant loads in recent years, as a result of high rainfall and flood events, have placed increasing pressures on waterways. The overall water quality of many estuaries in the region has also declined in 2025 as a result of increased nutrients (total nitrogen and total phosphorus) and algal growth (chlorophyll a). Unusually high phosphorus levels were observed in many estuaries and bay zones in 2025."*[6]

[5] Queensland's Bradfield Regional Assessment and Development Panel Report. https://www.dlgwv.qld.gov.au/water/consultations-initiatives/bradfield-regional-assessment-development-panel See Recommendation 8.

[6] https://reportcard.hlw.org.au/

This is driving complex and costly treatment systems (capital and operating) as specified by regulators and increasing costs to safely manage contaminant risks to drinking water services. WSPs are increasingly being tasked with catchment management and water security measures. In Queensland this is becoming more complex as climate events increase in frequency and intensity, development within catchments impairs quality, and existing drinking water sources are limited by catchment quality and new regulatory requirements.

Recommendation 9: Increase focus on source-based contaminant regulation, rather than continuing to place the compliance burden on passive-receiver wastewater utilities.

B.2.3 Transparency of risk data and sector information

As set out at Section A.3, several recent Queensland-Government-commissioned reports (the Urban Water Risk Assessment; the QTC Funding and Affordability Project) have not been released publicly. ***qldwater*** has reports which may also be of interest, for example Defining Financial Sustainability in Water and Sewerage Services Business (2020), which looked at the "Payment to Owners" component relevant to commercialised water services businesses, where consideration of a dividend and payment of a tax equivalent is a requirement of the State's Code of Competitive Conduct. That report notes that, in a fully commercialised business, the payment to owner can represent a quarter of the overall cost structure. We question the sustainability of these payments at current levels given asset life, increasing operating and finance costs, and increasing depreciation of assets.

Further work is underway to support increased urban water sector funding to manage ageing assets, including the Local Government Association of Queensland's Infrastructure Cliff Research Project, which will update ***qldwater***'s earlier work on the infrastructure cliff (2018, 2019). That report will be available in May 2026.

Each year, ***qldwater*** also produces a Queensland's Urban Potable Water and Sewerage Benchmarking Report. The report for 2024-25 data is imminent, with the most recently published report (January 2025[7]) clearly showing worsening asset conditions, increasing costs per connection and a range of other metrics.

Recommendation 10: Governments should publish relevant investigation and assessments on urban water risk so that communities and the Commission can understand the evidence base and assess progress (see also Section A.3). This will allow both Queensland and federal funding programs to prioritise funds towards highest risks and those utilities with demonstrated least capacity to pay.

B.3 Theme 3 — Regional, Remote and Equity Considerations

B.3.1 First Nations water services

As set out in Section A.1, deficits in training and infrastructure in First Nations water supplies remain acute. Queensland's 17 Indigenous Councils operate 31 drinking water supplies, and our most recent gap-analysis data (see Section A.1) show that the majority of operators require training in the most basic functions of drinking water management.

[7] Queensland's Urban Potable Water and Sewerage Benchmarking Report 2023-2024. Published by *qldwater* January 2025. file:///C:/Users/GDavis/Downloads/State-benchmarking-2023-24-Explanatory-Notes-Final.pdf Benchmarking for different sized WSPs is also available at https://qldwater.com.au/reporting

These deficits cannot be resolved without sustained, targeted funding for infrastructure renewal, operator training and technical assistance. Facilitated joint training, worker relief and access to technical assistance through regional workforce planning and resource-sharing arrangements are well-established models that could be adopted.

Recommendation 11: Governments should ensure targeted funding for First Nations water services to support training and technical assistance.

B.3.2 Regional asset condition and risk

The urban water sector understands its risks and has been moving to document them. One area of risk that is critical to understand is asset condition. The South West Queensland Water and Sewerage Alliance Infrastructure Strategy (see Section A.2) documents a $90 million funding requirement for critical infrastructure risks across six councils, with no support yet committed.

Such asset condition assessments are costly, but this baseline data is essential to quantify risk and priorities; to plan workforce, training and budgets; and is fundamental to good governance and decision-making. We strongly support funding further asset condition investigations across remote and regional areas.

In 2024–25, the Queensland Audit Office reported that 46 councils (60% of the sector) had operating surpluses, reversing the prior year's position in which 61 councils reported operating deficits. A key driver of the 2024–25 improvement was the timing of federal financial assistance grants, which increased council revenues. The asset consumption ratio for water assets is continuing to track poorly, which is a strong indicator that reserves are not being directed to renewal at the rate required.

Recommendation 12: Government provide further support for additional asset condition investigations across remote and regional areas.

B.3.3 Community Service Obligation for regional WSPs

Queensland is the most decentralised large state in Australia, with a highly distributed population. For remote and regional areas, local government areas are substantial, yet the rate-payer base is limited; these areas will never be able to achieve cost-reflective pricing.

A permanent funding program for water and wastewater equivalent to federal Roads to Recovery is required for councils that recognises small regional and remote communities will not achieve cost reflective pricing.

In 2024–25, the Queensland Government provided a CSO payment of approximately $604 million to subsidise electricity supply costs in regional Queensland (Queensland State Budget 2024–25, Community Service Obligations – Ergon Energy Queensland). This payment ensures regional customers pay similar prices to those in SEQ; without the subsidy the cost of electricity in regional areas would be unaffordable.

The Queensland Government has also provided CSOs for water pipelines to entities such as Sunwater and Seqwater, compensating them for setting water prices below the cost of supply — primarily in regional areas, irrigation, and specific infrastructure projects like the Mt Morgan Pipeline. These payments ensure the financial viability of non-commercial water services.

The NSW Government is currently designing a CSO for local water utilities to improve water security and affordability, particularly for regional, disadvantaged or small communities with low economies of scale; to address high infrastructure costs; and to ensure equitable access to services. That model provides a useful reference point.

A CSO would also provide certainty of income for WSPs, allowing them to plan their future works proportional to risk. A pipeline of works is more attractive for procurement and resource distribution for contractors, as opposed to the ad-hoc procurements driven by the current competitive grant process. WSPs could also borrow against a CSO. We strongly support an investigation into a CSO for rural and remote WSPs.

Recommendation 13: Introduce CSO for remote and rural WSPs to allow them to better plan to address workforce and infrastructure challenges and more effectively deliver drinking water to the community.

B.3.4. Funding for OPEX and supporting critical personnel

Drinking water quality and reliability, and palatability of water in most small regional and remote communities is lower than that provided in larger metropolitan areas. Metro utilities have significantly higher revenue from a larger customer base, and economies of scale[7]. Regional and remote communities usually have higher disadvantage, less capacity to pay and higher populations of Aboriginal and Torres Strait Islander peoples and a lower capacity to advocate for change (or many years of advocating has not resulted in change due to lack of political influence). Cost reflective pricing to lift standards in remote communities is not practical, as there is significant investment required, and the small customer base cannot afford higher bills.

Metro utilities have access to more experienced personnel wanting to live in larger communities closer to the coast. This is evidenced year on year by high vacancy rates and longer times to fill critical vacancies in regional and remote areas versus metropolitan[8]. Many small utilities have insufficient revenue to appropriately fund Operation and Maintenance and people with appropriate expertise (either staff or private sector engagement). These difficulties extend to training and professional supporting personnel – where current RTO delivery is costly and dependent on cohort size in regions and remote areas. Capital intensive funding programs create perverse outcomes of new infrastructure that is not fit for purpose and cannot be operated or maintained with the expertise of the staff on ground, so they are not utilised or have a short asset life.

Recommendation 14: Expansion of state and federal funding programs (including National Water Infrastructure Fund) to include costs for operations and maintenance, and personnel costs including the appropriate and comprehensive training of all personnel to meet minimum defined competency standards.

B.4 Theme 4 — National Consistency and Intergovernmental Coordination

B.4.1 Water regulation and scale

Urban water supply in Queensland is highly regulated. The largest urban water provider has around 670,000 connections while the smallest has 142 connections. Drinking water, public health and environmental regulation (in addition to other statutory obligations from WHS to employment) is the same for all providers, regardless of organisational size and complexity, number of connections or geographical location. A raft of additional regulation applies to those service providers in the Reef catchments and the Murray–Darling Basin.

[8] *qldwater* Workforce Composition Reports.
https://qldwater.com.au/workforce_composition_snapshot_reports

Queensland's experience demonstrates that a one-size-fits-all regulatory framework imposes disproportionate cost on small, remote providers, while offering limited additional protection to their customers relative to scale-appropriate, risk-based approaches.

Recommendation 15: Adopt scale- and risk-appropriate regulation of WSPs, ensuring fit-for-purpose approach that recognises the disproportionate compliance burden a one-size-fits-all framework places on small and remote providers.

B.4.2 Climate adaptation

Climate change is a cross-cutting driver behind many of the pressures described elsewhere in this submission. Disasters, particularly floods, are causing significant damage to urban water infrastructure, with consequent public health impacts.

Managing adverse amenity impacts on water infrastructure is becoming increasingly important as new urban residential growth is explored by Councils and developers in areas that traditionally excluded sensitive uses (e.g. industrial locations, and land that is inherently vulnerable such as some newly declared PDAs). The larger SEQ utilities (Urban Utilities and Unitywater) do not have a referral-agency role to consider adverse amenity impacts and currently rely on Councils to address amenity in the development assessment process. Site-based change via the development process can be challenging, which means utilities may need to be adverse submitters, which is an inherently reactive, resource-intensive role.

Further, regulatory amendments are required to address many of the pricing inefficiencies and lack of cost-recovery mechanisms imposed on water service providers, particularly those related to growth in climate-exposed locations.

Recommendation 16: Government funding should explicitly support urban water climate-adaptation investment.

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