MONASH University Water Sensitive Cities Australia

NATIONAL WATER REFORM 2026 – COMMENTS FROM WATER SENSITIVE CITIES AUSTRALIA

Introduction

Water Sensitive Cities Australia (WSCA) welcomes the opportunity to make a submission to the Productivity Commission's 2026 inquiry into National Water Reform.

This inquiry provides an important opportunity to consider two closely connected issues – progress under the National Water Initiative (NWI), and the policy, regulatory and institutional settings needed to support a secure, resilient and sustainable water services industry. It also enables the national water reform process to respond more directly to current and emerging pressures relating to affordability, productivity, housing supply and the transition to net zero.[1]

WSCA considers these issues are closely linked. Integrated urban water management is not a peripheral environmental consideration; it is fundamental to how Australia plans, prices, governs and delivers water, wastewater and stormwater services in ways that support affordability, productivity, liveability and climate resilience.

This submission builds on WSCA's 2024 submission[2] which called for stronger integrated urban water management, clearer governance, improved cross-sector coordination, greater accountability and more effective implementation support. The 2026 inquiry provides an opportunity to advance these priorities by embedding integrated approaches more clearly in mainstream water servicing, planning and regulatory reform.

WSCA acknowledges that some jurisdictions and utilities have made meaningful progress in integrated planning, recycled water, stormwater management and water servicing. However, progress remains uneven and too often relies on local context and champions rather than system wide policy and regulatory settings. The key reform task is therefore to create the conditions that support integrated urban water management as standard practice.

WSCA's position

Australia does not lack technical solutions, successful case studies or demonstrated capability in urban water management. The challenge is that current planning, pricing, governance and funding arrangements continue to make integrated approaches difficult to implement at scale.

The consequences extend beyond reduced resilience or the underuse of local water resources such as stormwater. They also include lower productivity, higher infrastructure costs, reduced capacity to support efficient housing and precinct development, and continued reliance on less flexible and efficient servicing pathways. Recent WSCA publications consistently point to the same conclusion: poorly integrated systems and processes increase costs, undervalue broader benefits, weaken resilience, and limit the effective use of stormwater, recycled water, waterways and nature-based solutions (such as green walls, passive watered street trees, rain gardens, and constructed wetlands).

The next phase of national water reform should therefore focus on making integrated urban water management standard practice across Australian cities and towns. This shift requires recognising stormwater, recycled water, waterways and nature-based solutions as core elements of the urban water services system, supported by aligned policy, pricing, regulatory and planning frameworks.

[1] Productivity Commission (2026), National Water Reform 2026: Call for submissions
[2] Water Sensitive Cities Australia (2024), National Water Reform 2024 – Comments from Water Sensitive Cities Australia.

The core reform challenge

WSCA's 2024 submission identified several barriers to reform, including inconsistent progress across jurisdictions, a narrow focus on selected water sources, weak integration between water and land use planning, and unclear roles, responsibilities and accountability. These issues remain central in 2026.

Recent WSCA publications confirm that the principal challenge is not the absence of viable technical options, but the persistence of institutional settings that continue to favour uncoordinated delivery. For example, analysis of climate resilient water servicing in Melbourne[3,4] found no explicit regulatory barrier to investment in climate resilience. However, it identified broader delivery constraints, including unclear roles, limited capability, unclear funding pathways and weak incentives to sustain resilience delivery programs over time. This is an important finding for national reform. In many cases, the key issue is not whether integrated approaches are technically permissible, but whether current settings make them practical, investable and replicable.

A similar conclusion emerges from recent work on water sensitive housing.[5] If housing growth continues to be delivered through conventional planning and water servicing pathways, cities and towns risk locking in higher long-term costs, reduced climate resilience and poorer liveability outcomes. Water sensitivity should not be regarded as a discretionary environmental enhancement. It should be recognised as a core requirement for affordable, resilient and fit-for-purpose housing and urban development.

Stormwater reuse remains a clear illustration of unrealised potential. WSCA's *All options on the table* report found that Greater Melbourne currently uses around 46 GL per year of alternative water, but only 14 GL per year is sourced from stormwater reuse. The report identifies fragmented institutional responsibilities, a lack of enabling regulatory instruments, and uncertainty regarding funding and cost recovery as the principal barriers to scaling stormwater reuse.[6] These findings demonstrate that current arrangements may acknowledge alternative water sources in principle, while still failing to establish the institutional and economic conditions necessary for implementation at scale.

Recent analysis of nature-based solutions makes the same systemic point in broader terms.[7] Stormwater, wastewater, waterways, open space and urban greening are still too often planned, funded and managed as separate systems. This approach results in misaligned investment that imposes higher costs and delivers weaker resilience, liveability and environmental outcomes than more integrated approaches. Nature-based solutions should therefore be recognised, funded and governed as essential urban water infrastructure.

Taken together, this body of evidence indicates that integrated urban water management will not become standard practice without reform to the broader planning, pricing, regulatory, governance and accountability settings for delivering water services.

Recommended priority reform areas

WSCA proposes prioritising four areas in the next phase of national water reform.

1. Embedding integrated urban water management in the refreshed national reform framework

A refreshed national reform framework should recognise stormwater, recycled water, waterways and nature-based solutions as integral components of the urban water services system. This change is necessary if water services are to respond effectively to housing growth, climate change, circular economy opportunities and emerging demand pressures.

[3] Water Sensitive Cities Australia (2026). Supporting the funding of climate resilient water services in Melbourne. Melbourne, Australia: Water Sensitive Cities Australia.
[4] Water Sensitive Cities Australia (2026), Factsheet: Funding a climate-resilient water future for Melbourne. Melbourne, Australia: Water Sensitive Cities Australia.
[5] Water Sensitive Cities Australia (2026), Discussion paper: Delivering Water Sensitive Housing in a Housing Crisis. Melbourne, Australia: Water Sensitive Cities Australia.
[6] Water Sensitive Cities Australia (2025). An all options approach for stormwater reuse in Greater Melbourne. Melbourne, Australia: Water Sensitive Cities Australia
[7] Water Sensitive Cities Australia (2026), Discussion paper: Nature-based solutions: Essential urban water cycle infrastructure. Melbourne, Australia: Water Sensitive Cities Australia

2. Aligning pricing and economic regulation with prudent long-term investment

Affordability is a critical consideration, but it should not be pursued by deferring efficient investment or narrowing the service options considered. Reform should provide clearer long-term investment signals, more robust methods for recognising lifecycle, cross-sector and community benefits, and targeted hardship and vulnerability measures that protect customers without undermining long-term service resilience.

Pricing and regulatory settings should also better support proactive asset management, integrated service outcomes, and investment in circularity and lower-emissions operational pathways. More integrated water servicing can contribute to net zero objectives by better using local water resources, nature-based solutions and multifunctional assets.

3. Strengthening governance, accountability and coordination

Improved outcomes require clearer roles, responsibilities and decision making authority across governments, utilities and councils, particularly relating to stormwater, waterways and integrated urban water planning and delivery. Reform should also support stronger coordination between water, land use planning, housing, open space and environmental portfolios. Without clearer accountability, integrated approaches will continue to depend on local champions and one-off initiatives rather than fit-for-purpose institutional arrangements.

While States and Territories drive reform within their jurisdictions, the Commonwealth has an important role in supporting coordination, capacity building and reform implementation across jurisdictions. This is particularly the case when the costs of reform are upfront and concentrated, while the benefits accumulate over time and do not fully accrue to the jurisdiction implementing the reform.

4. Integrating water considerations earlier into housing, infill and precinct planning

Improved outcomes require earlier consideration of water in urban development processes, supported by collaborative planning, integrated design and clear delivery pathways. Where water is considered too late, outcomes are generally more costly and less effective. National reform should therefore support planning and servicing frameworks that enable precinct-scale and catchment-scale responses where these are likely to deliver stronger long-term outcomes than lot-scale approaches. Examples such as Salisbury in South Australia and Knutsford in Western Australia show that precinct- and catchment-scale planning can unlock outcomes that lot-scale controls alone cannot deliver, including alternative water supply, urban cooling, flood protection, biodiversity, open space benefits and downstream waterway protection.[8]

This approach is especially important in the context of housing supply and infill growth, where conventional servicing models can miss opportunities to improve long-term affordability, resilience, urban heat outcomes and local water security.

Additional considerations

The inquiry also raises important issues relating to Aboriginal and Torres Strait Islander perspectives, regional and remote service delivery, and the balance between national consistency and jurisdictional flexibility.

WSCA supports reform that gives stronger and earlier effect to Traditional Owner and Aboriginal and Torres Strait Islander knowledge and participation in urban water planning, service delivery and decision making. Their involvement should extend beyond consultation to include stronger partnership arrangements, clearer roles in place-based planning and service approaches that recognise cultural values, local knowledge and community priorities. Such an approach would support more legitimate, locally grounded and publicly beneficial outcomes.

Many of the systemic challenges addressed in this submission are likely to be even more acute in regional and remote areas, where smaller provider scale, workforce constraints, limited asset management capability and higher per-customer costs place additional pressure on service sustainability and affordability. These factors strengthen the case for clearer roles, shared methods, flexible service models, and better support for long-term resilience and equity, while recognising that delivery pathways need to reflect local circumstances.

Greater national consistency would also be valuable in areas that help integrated approaches compete fairly with conventional ones. These areas include shared principles for integrated urban water management, clearer recognition of stormwater and nature-based solutions within water services, stronger lifecycle costing and

[8] Sochacka et al. (2021), Water sensitive outcomes for infill development: final report. Melbourne, Australia: CRC for Water Sensitive Cities.

economic evaluation methods, more comparable reporting across water, wastewater and stormwater, and clearer approaches to assessing whole-of-system and cross-sector value. At the same time, delivery arrangements should remain sufficiently flexible to reflect jurisdictional differences and place-based conditions.

Recommendations

WSCA recommends the following reforms.

Embedding integrated urban water management in national reform

1. Embed integrated urban water management within the refreshed national reform framework, including explicit recognition of stormwater, recycled water, waterways and nature-based solutions as core components of urban water services.
2. Recognise nature-based solutions as essential infrastructure, and ensure that appraisal, funding, maintenance and asset management frameworks adequately account for their contribution to service delivery, resilience, liveability and environmental outcomes.

Pricing, economic regulation and long-term service sustainability

3. Reform pricing and economic regulation to support prudent long-term investment in resilience, circularity and integrated service outcomes, while protecting customer affordability through targeted hardship and vulnerability measures rather than delayed investment.
4. Strengthen shared methods and national guidance for lifecycle costing, economic evaluation and reporting so that integrated approaches can be assessed more consistently and transparently.

Governance, accountability and planning integration

5. Clarify roles, responsibilities and accountability for stormwater, waterways and integrated urban water planning and delivery across governments, utilities and councils.
6. Require earlier integration of water considerations into housing, infill and precinct planning, including support for precinct-scale and catchment-scale responses where they deliver better long-term outcomes.

Partnership and implementation support

7. Support stronger partnership arrangements with Aboriginal and Torres Strait Islander communities in water planning and service decision making.
8. Support implementation through national guidance, capability building, shared methods and accountability mechanisms that enable reform to be delivered consistently and at scale.

Conclusion

The 2026 inquiry provides an important opportunity to move beyond broad support for integrated urban water management and address the institutional settings that continue to prevent its delivery at scale. Australia already has strong examples, technical capability and a growing evidence base. The reform task now is to align pricing, governance, planning and accountability so that integrated approaches become standard practice within the water services system.

Such reform would support not only resilience and liveability, but also more efficient long-term investment, better housing and precinct outcomes, fairer treatment of alternative servicing options, stronger productivity and a more sustainable urban water future.

About Water Sensitive Cities Australia

Water Sensitive Cities Australia (WSCA) is a research-to-practice partnership supporting innovation in urban water management. It builds on the work of the CRC for Water Sensitive Cities (CRCWSC) which worked with utilities, state agencies, councils and water practitioners to develop and test new urban water practices. Drawing on the CRCWSC knowledge, expertise and experience, WSCA provides research services for our partners and other stakeholders. We work across Australia and internationally and provide community of practice networks for partner cities and towns to learn from each other.

References

1. Productivity Commission (2026), National Water Reform 2026: Call for submissions.
2. Water Sensitive Cities Australia (2024), National Water Reform 2024 – Comments from Water Sensitive Cities Australia.
3. Water Sensitive Cities Australia (2025). An all options approach for stormwater reuse in Greater Melbourne. Melbourne, Australia: Water Sensitive Cities Australia.
4. Water Sensitive Cities Australia (2026). Supporting the funding of climate resilient water services in Melbourne. Melbourne, Australia: Water Sensitive Cities Australia.
5. Water Sensitive Cities Australia (2026), Factsheet: Funding a climate-resilient water future for Melbourne. Melbourne, Australia: Water Sensitive Cities Australia.
6. Water Sensitive Cities Australia (2026), Discussion paper: Delivering Water Sensitive Housing in a Housing Crisis. Melbourne, Australia: Water Sensitive Cities Australia.
7. Water Sensitive Cities Australia (2026), Discussion paper: Nature-based solutions: Essential urban water cycle infrastructure. Melbourne, Australia: Water Sensitive Cities Australia.
8. Sochacka et al. (2021), Water sensitive outcomes for infill development: final report. Melbourne, Australia: CRC for Water Sensitive Cities.

Other useful references

1. Water Sensitive Cities Australia (2025), Supporting Water Sensitive Infill Development in Western Australia. Melbourne, Australia: Water Sensitive Cities Australia
2. Water Sensitive Cities Australia (2026). Green–Blue Infrastructure Valuation of the Perth–Peel Region. Melbourne, Australia: Water Sensitive Cities Australia.
3. Water Sensitive Cities Australia (2026). Compendium: Why Perth–Peel's trees, waterways and wetlands matter. Melbourne, Australia: Water Sensitive Cities Australia