

Submission to the Productivity Commission - National Water Reform 2026

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The National Party of Australia and the Liberal Party of Australia (the Coalition)

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1. Executive summary

The Coalition welcome the Productivity Commission's National Water Reform 2026 inquiry. Water is central to the economic viability of regional Australia and the sustainability of food and fibre production. The Basin produces around \$30 billion in agricultural output annually and underpins the jobs communities west of the Great Dividing Range.

Water policy must respond with practical, place-based solutions to the challenges in the system, not regulatory frameworks that are complex, reduce trust and fail to account for real costs imposed on communities.

This is especially important as towns and localities face the desire to grow their populations, maintain ageing infrastructure, manage changes to the climate and balance the needs of the human and natural environments.

This submission addresses three priorities. First, progress under the NWI remains inadequate, with ongoing deficiencies in trade register transparency, pricing reform, infrastructure investment and environmental water accountability. Second, water service regulatory and governance settings require reform, with particular attention to pricing models that do not reflect regional service costs and chronic underinvestment in water infrastructure. Third, the Coalition strongly oppose further water buybacks and call for investment in infrastructure efficiency and a reformed Commonwealth Environmental Water Holder (CEWH) that manages its holdings with the same accountability expected of any public asset.

Communities across the Basin have borne the consequences of declining irrigation capacity, reduced water reliability and ongoing policy uncertainty. There are far too many stories of these impacts not being matched by clear and measurable environmental improvements or sufficient transparency in the decision-making processes and assessment of outcomes that has resulted in a steady erosion of trust in the system.

Any discussion into how water is used, stored, and allocated must recognise that environmental outcomes are not achieved by entitlement volumes alone, but by the ability to deliver water effectively, manage risks such as blackwater and fish deaths, and improve habitat, connectivity and water quality.

Community confidence has been damaged by decision making that is not being clearly explained, and that the same transparency standards applied to irrigators are not always applied to government water holders. The Coalition support stronger, plain English reporting of environmental water objectives, watering actions, delivery losses and observed outcomes, including timely publication of the rationale for decisions and the monitoring evidence used to assess success or failure.

2. Introduction

The Coalition welcome the Productivity Commission's National Water Reform 2026 inquiry and the opportunity to provide a submission on behalf of Basin communities, water users and regional Australians who rely on water for jobs, liveability and environmental outcomes.

The Coalition draw on long-standing engagement with the communities living in the Murray-Darling Basin area. While the Commission's terms of reference note that water resource management in the Basin is being examined through other processes, the integrity of governance and the practical impacts of policy decisions on communities are central to national water reform and are therefore addressed in this submission.

Water is foundational to Australia's national interest. The Murray-Darling Basin supports approximately 40 per cent of Australia's farms and more than 8,000 irrigated agriculture businesses. The Basin also underpins freight, logistics, processing and retail industries in regional towns whose economic health is directly linked to water availability. Water policy disconnected from these broader realities risks compounding social and economic pressures in communities already experiencing adjustment stress.

This submission addresses both main areas of inquiry. Part A assesses NWI progress since 2024, identifying persistent barriers and forward reform priorities including infrastructure investment, no further buybacks, and CEWH accountability reform. Part B addresses water service arrangements, focusing on pricing, governance, regional equity and national consistency.

3. Part A - NWI assessment

The National Water Initiative remains the foundational framework for water policy in Australia. The Coalition support the NWI's objectives, but implementation has drifted toward compliance frameworks and recovery-focused mechanisms at the expense of productive use and infrastructure investment. The Commission's 2026 review is an opportunity to recommit to the NWI's original intent: a balanced framework that recognises social and economic outcomes alongside environmental obligations.

3.1 Progress since the 2024 NWI assessment

The Commission's 2024 assessment identified some areas of water policy that needed to be improved. These areas were improving trade register information, restoring best-practice pricing and independent regulation to the Basin, improving water infrastructure, improving the specification and reporting of environmental and other public benefit water outcomes, and lifting performance on metering and water accounting.

The progress that has been made in these areas is not yet satisfactory to water users in the Basin.

There is an ongoing theme of a lack of trust and accountability between Governments and citizens in the greater water space. Basin communities continue to raise concerns about transparency, governance and compliance, particularly in areas such as environmental watering.

In April 2026, the Coalition announced it would move to establish a Commission of Inquiry into the behaviour, practices and performance of the Commonwealth Environmental Water Holder (CEWH), to secure clear answers about how environmental water is being managed, delivered and evaluated and what impacts those decisions are having on communities and Basin economies.

The Basin Plan was designed on the premise that environmental outcomes would be improved through recovered water combined with complementary infrastructure works and rule changes. Infrastructure projects and constraints relaxation measures have been repeatedly assessed as only partially deliverable or unlikely to be completed on time, yet water recovery through buybacks has continued to accelerate. The Albanese Government's repeal of the statutory 1,500 GL cap on Commonwealth water purchases removed an important safeguard without resolving the underlying delivery failures. This structural imbalance is the defining policy problem the Commission should address.

3.2 Barriers and emerging risks

The ongoing reliance on water buybacks as the primary recovery mechanism is the most significant barrier to Basin reform. Buybacks remove productive capacity from irrigation communities and undermine the economic foundations of regional towns. Communities in Farrer, Riverina, Nicholls, Barker and Mallee have experienced reduced water reliability, declining agricultural output and population decline. Some localities, such as Wakool in New South Wales, lost half their population as a result of prior buyback rounds.

A second major barrier is the erosion of trust between government, water authorities and Basin communities. Concerns about lack of transparency in environmental water decision-making, insufficient oversight of the CEWH, and the perception that compliance obligations fall unevenly on irrigators relative to Commonwealth water holders, have all contributed to a breakdown in confidence. The Coalition's call in 2026 for a Commission of Inquiry into the CEWH directly reflects concerns raised by water users and communities throughout the Basin.

Data deficiencies and difficulty accessing data also remains a persistent risk. Weaknesses in trade register information, metering coverage and environmental water outcome reporting mean that policy decisions are often made without adequate evidence of their actual effect. Consistent, reliable and publicly accessible data on water use, allocation, delivery and ecological response is essential for accountable management of a shared national resource.

The multi-jurisdictional nature of the Basin creates ongoing coordination risks. Differing state approaches to water administration, licensing, metering and compliance create inconsistencies that undermine the Basin-wide system. Stronger intergovernmental coordination and consistent national reporting frameworks are needed to reduce these risks.

Climate variability is a genuine planning challenge and should be addressed through investment in storage optimisation, system connectivity and infrastructure resilience, not through permanent reductions to the consumptive pool. Any policy response must be grounded in evidence, preserve productive capacity where possible, and be developed in genuine consultation with Basin communities.

3.3 Forward reform priorities

The first priority for forward reform must be rebuilding trust between governments, water authorities and Basin communities through clear, plain English reporting of environmental water decisions, delivery outcomes, and ecological results. The same accountability standards expected of irrigators and other water users must be applied to the Commonwealth Environmental Water Holder. The CEWH controls more than 2,000

gigalitres of water - the single largest holding in the Basin - and its management decisions can significantly affect river operations, private landholders and regional economies. The Coalition support the establishment of a Commission of Inquiry into the CEWH with strong investigative powers to examine whether this water is achieving intended outcomes, how decisions are made and what impacts those decisions are having on communities.

The second priority is a decisive shift in Commonwealth expenditure from water recovery to infrastructure investment. Basin infrastructure is ageing, with some assets approaching a century old. Planned renewals including replacement of the Mildura Weir, Hume Dam irrigation outlet works and Lake Victoria outlet regulator demonstrate that the physical system is constrained not only by entitlement volumes but by the condition and capability of its infrastructure. The Coalition's policy position is to grow the effective consumptive pool by investing in infrastructure efficiency, storage optimisation, system connectivity and bulk water supply improvements - not by continuing to purchase productive water entitlements from irrigation communities. Other projects of significance are raising the dam wall at Lake Wyangala and completing the Dungowan Dam project.

The third priority is a firm policy position of no further reductions to the consumptive pool through buybacks. The existing level of water recovery has already imposed significant economic and social costs on local communities. Basin communities should not continue to lose productive water before relevant governments have demonstrated that the complementary works, rule changes and operational reforms required are in place and functioning. Any proposed reduction in productive water should be accompanied by a comprehensive socio-economic impact assessment that considers effects not just to the farm gate but to the whole Basin community, including impacts on logistics, retail, hospitality, schools and other services.

The fourth priority is improving water market data, metering coverage and reporting on environmental outcomes. Stronger, consistent and publicly accessible data on water trading, allocation, delivery and ecological response is essential for accountable management of a shared national resource. This includes adopting consistent definitions and reporting standards across jurisdictions to enable genuine comparisons and to support informed decision-making by water users, governments and the public.

4. Part B - Secure, resilient and sustainable water services

Town water is not an abstract policy issue for regional Australians. Clean, reliable water underpins public health, local business, agricultural processing, and community confidence. In many parts of regional Australia, councils and local utilities face ageing assets, higher customer costs, and difficulty sustaining the workforce and capital programs required for

services. Consistent with the Commission's terms of reference, the focus in this section is on the practical operation of pricing, economic regulation and governance arrangements for water services, rather than revisiting matters being examined through the 2026 Water Act or Basin Plan reviews.

4.1 Theme 1: Pricing and economic regulation

Trade-offs between policy objectives

Water service pricing currently struggles to balance cost-recovery with affordability in regional communities. In smaller and more remote systems, the cost-per-connection of delivering services often substantially exceeds urban benchmarks, yet pricing models designed for larger systems are applied without adjustment. The consequence is either under-recovery that prevents sustainable asset renewal, or unaffordable bills that impose disproportionate burdens on lower-income households in regional areas. The Commission should recommend that pricing frameworks be required to explicitly account for regional structural differences and include clear principles for how cross-subsidisation or Commonwealth funding contributions can be transparently applied to ensure service viability and affordability.

Incentives and efficiency

Current pricing settings provide limited incentives for water service providers to invest in efficiency improvements or to reduce the cost base over time. Independent economic regulation can play an important role in driving productivity, but only where the regulatory model is designed to accommodate the specific circumstances of regional and rural utilities. Best-practice pricing and independent regulation, identified by the Commission in 2024 as needing to be restored to the Basin, should encourage prudent investment and transparent benchmarking rather than creating compliance burdens that absorb resources without improving service outcomes.

Process and regulatory burden

Regulatory burden has grown significantly across the water sector without commensurate improvements in outcomes. Small and regional water utilities, irrigation districts and local councils face overlapping reporting requirements, compliance obligations and administrative processes that divert limited resources from frontline service delivery and asset maintenance. The Commission should recommend a systematic review of regulatory requirements to identify and remove duplication, simplify reporting, and ensure that compliance obligations are proportionate to the size and risk profile of the entity concerned.

4.2 Theme 2: Governance, accountability and coordination

Roles, responsibilities, and accountability

Customers and communities need to know who is accountable for water quality, investment decisions, and incident response, especially where responsibilities are split between councils, state agencies and bulk water providers.

Transparency across water markets and environmental water decision-making must be strengthened. Water market participants require timely, accurate and consistent information about trade activity, pricing, allocations and delivery to make sound investment decisions. Current reporting is fragmented across jurisdictions and inadequate to support the level of scrutiny that is required of a system of this scale and national importance. The Commonwealth Environmental Water Holder should be subject to the same reporting standards as other significant water holders, including clear disclosure of watering decisions, volumes ordered and delivered, delivery losses and assessments of ecological response.

System coordination

Effective system coordination requires clear delineation of Commonwealth and state roles and responsibilities, with outcomes-based accountability at each level. Current arrangements are characterised by overlapping mandates, contested jurisdictional responsibilities and insufficient national oversight of delivery performance. The Commission should recommend clearer national principles for infrastructure funding, establish clear responsibilities for regional service provision, and develop a framework that enables jurisdictions to collaborate effectively without creating unnecessary duplication or inhibiting operational flexibility at the local level.

4.3 Theme 3: Regional, remote and equity considerations

Financial sustainability and viability

Many regional and remote water utilities face structural financial challenges that cannot be addressed through pricing reform alone. Asset bases are ageing, customer numbers are small, and the geographic and climatic conditions of service areas impose higher costs per connection than urban equivalents. Without sustained Commonwealth and State investment in infrastructure renewal, some utilities will face a choice between unsafe service levels and unaffordable price increases. The Commission should recommend a long-term commitment to infrastructure funding for regional water services, with clear eligibility criteria,

transparent assessment processes and a focus on resilience and reliability outcomes rather than purely commercial metrics.

Access to safe, reliable and affordable water is not a privilege. It must be a national standard. Regional and remote communities face disproportionate service gaps and cost burdens that reflect systemic underinvestment and the lack of consistent national minimum standards. The Commission should recommend a national service equity framework that establishes minimum standards for water quality and reliability, with clear accountability for shortfalls and dedicated funding pathways for communities that cannot achieve those standards through cost-reflective pricing alone. Assessments of socio-economic impacts from water policy changes must extend beyond the farm gate to encompass the full range of effects on Basin communities, including impacts on tourism, fishing, local amenity, schools, and small businesses.

Alternative models for service provision

There is scope to consider alternative models for water service provision, particularly in regional areas where traditional utility structures are not financially viable or do not adequately reflect community needs. Options may include greater integration between irrigation district management and town water supply where appropriate, co-investment models between State governments and Local Government, and partnerships that leverage existing agricultural water infrastructure for multiple purposes. Any reform to service delivery models must prioritise community input, be designed to improve outcomes rather than reduce accountability, and avoid creating further financial or governance complexity for already-stretched regional councils and utilities.

4.4 Theme 4: National consistency and intergovernmental coordination

Greater national consistency can reduce compliance costs and improve transparency, but it must not override the ability for water users to have flexibility with their assets and entitlements.

5. Murray-Darling Basin: confidence, transparency and practical outcomes

The Murray-Darling Basin is of fundamental importance to large parts of inland Eastern Australia. It supports communities, agriculture, manufacturing and Australia's natural beauty. Policy settings must be grounded in the operational realities of the river system and the lived experience of Basin communities.

The Coalitions' longstanding view is that water policy must be practical, evidence-based and balanced, delivering environmental outcomes while protecting regional jobs, river towns and the industries that rely on secure, affordable water. In 2026, communities continue to raise concerns about local water quality and the fairness and effectiveness of some water policy settings when significant public funds have been spent across the Basin.

The Coalition do not support water buybacks as a default policy approach. Buybacks can remove productive water from food- and fibre-growing regions, undermine irrigation districts and local processing, and contribute to stranded assets and flow-on harm for small businesses and communities. Where governments seek environmental outcomes, the focus should be on optimising the water already held, improving delivery efficiency and constraint management, and investing in practical infrastructure that achieves outcomes without hollowing out regional communities.

The Commonwealth holds a significant share of environmental water through the CEWH. If governments are confident environmental water is being managed properly, scrutiny should be welcomed. Basin communities are entitled to clear answers about what has been done, why it was done, what it achieved, and what it cost, economically and socially. The accountability standards expected of irrigators and other water users must also apply to Commonwealth agencies.