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Productivity Commission
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Dear Commissioner,

RE: National Water Reform 2026 PC Enquiry - Stormwater 2030 Submission

Stormwater 2030 welcomes the Productivity Commission's (PC) National Water Reform 2026 Inquiry. The PC has explicitly called for submissions evaluating how current arrangements support effective coordination between stormwater, wastewater, and water supply services. We submit that the stormwater sector in Australia is currently a "system in crisis" defined by a critical governance vacuum, a failed funding model, and a generational backlog of failing infrastructure.

This submission draws upon our 2026 NSW Budget Submission (ERC), the *State of Stormwater in NSW 2025 Report* (which details that over 50% of NSW councils currently exceed the infrastructure backlog ratio benchmark), and the extensive findings of the *NSW SQID Taskforce Industry Review Volume One*. All of which are attached. We advocate for systemic reform to embed accountable governance, sustainable funding, and data-driven asset management into the renewed National Water Initiative (NWI).

1. Who is Stormwater 2030?

Stormwater 2030 is an industry-led reform initiative and advocacy body dedicated to transforming the management of urban waterways across Australia. Comprising a coalition of engineers, environmental scientists, local government representatives, and policy experts, the organisation serves as a strategic voice for a sector it identifies as being in a state of "systemic crisis".

The organisation's mission is to bridge the gap between fragmented governance and sustainable environmental outcomes. It operates as a high-level collaborator with state and federal bodies, such as the Productivity Commission and the NSW SQID Taskforce,

to ensure that stormwater management is elevated from a neglected "hidden" utility to a core pillar of national water security and climate resilience.

Core Objectives Stormwater 2030 focuses on four critical pillars of reform:

- **Governance Reform:** Advocating for the elimination of the "governance vacuum" by establishing single, accountable "Lead Agencies" to oversee fragmented state policies.
- **Economic Sustainability:** Campaigning for the modernization of funding models, including the uncapping of stagnant developer and maintenance levies to reflect the true lifecycle costs of infrastructure.
- **Asset Intelligence:** Ending "asset ignorance" by promoting the adoption of IoT sensor technology and standardized data registers to track the condition of thousands of "orphan" assets.
- **Industry Professionalisation:** Driving national standards for the verification of Stormwater Quality Improvement Devices (SQIDs) and establishing accredited training programs (such as the "Yellow Card" for maintenance) to ensure technical excellence.

Leadership and Advocacy Stormwater 2030 acts as a bridge between technical industry findings and legislative action. By synthesizing data-driven research with practical policy recommendations, the group works to ensure that Australia's beaches, rivers, and harbors are protected by infrastructure that is not only functional but resilient to the "threat multipliers" of urban densification and climate change.

2. Summary of Recommendations (Executive Summary of Proposed NWI Reforms)

To address the systemic crises in stormwater management—characterised by a governance vacuum, an unsustainable funding model, and a generational infrastructure backlog—Stormwater 2030 recommends the following systemic reforms be embedded into the renewed National Water Initiative (NWI):

2.1. Accountable Governance and Coordination

- **Establish Lead Agencies:** Mandate the formal appointment of a single "Lead Agency" (e.g., within DEECW, Water NSW, or the EPA) in each state and territory with the legislative authority to set and enforce statewide stormwater policy, standards, and compliance.

- **Legislative Consolidation:** Conduct a full review and consolidation of the fragmented legislative instruments (currently over 50 in NSW alone) that diffuse responsibility and block systemic reform.
- **Cross-Sector Collaboration:** Charter a permanent, multi-stakeholder "Heads of Government/Industry Focus Group" comprising state agencies, local government, economic regulators, the insurance sector, and industry peak bodies to align strategies and resolve systemic conflicts.

2.2. Sustainable and Fair Funding

- **Modernise Stormwater Levies:** Commission independent economic regulators (such as IPART in NSW) to immediately review state stormwater management service charges. Levies must be uncapped and indexed to reflect the true lifecycle cost of modern asset management and climate resilience.
- **Clear the Infrastructure Backlog:** Establish a federally backed "National Asset Renewal Fund"—alongside state-backed "Stormwater Resilience Funds"—to provide targeted co-funding to local councils to clear multi-generational backlogs of failing infrastructure, conditional on councils adopting modern asset management standards.
- **Diversify Revenue Streams:** Support the exploration and development of investment-grade "Green Bonds" and private sector partnerships to unlock capital for large-scale green infrastructure.

2.3. Data-Driven Asset Management

- **Mandate Data Standards:** Implement a mandatory "State-Wide Asset Data Standard" across all local councils to eliminate the crisis of "orphan assets" and blank condition data.
- **Fund Baseline Assessments:** Fully fund comprehensive, state-wide asset condition assessments to evaluate the health of all stormwater infrastructure and create accurate asset risk maps.
- **Transition to Predictive Maintenance:** Promote and Fund large-scale R&D and pilot programs, such as deploying 10,000 IoT sensors on high-risk assets, to transition the sector from reactive emergency repairs to highly efficient, predictive maintenance.

2.4. National Industry Standards and SQID Verification

- **Mandate SQIDEP:** State governments should mandate or strongly incentivise the use of the Stormwater Quality Improvement Device Evaluation Protocol (SQIDEP) for the selection and approval of all new proprietary SQIDs.
- **Expand Evaluation Criteria:** Broaden national SQID assessment frameworks beyond just water quality to include comprehensive Lifecycle Costing, Safety, Constructability, and Maintenance (LSCM).
- **Nationalise Maintenance Guidelines:** Formally adopt the *Guidelines for the Maintenance of Stormwater Treatment Measures* (the "Yellow Book") as the national maintenance manual, digitising it into an accessible web-based portal.
- **Accredited Training:** Establish a national accreditation system and "train-the-trainer" program for SQID maintenance (a "Yellow Card" system) to ensure a verifiably skilled workforce.

2.5. Climate Resilience and Flood Risk Management

- **Co-design with Insurers:** Establish a dedicated Insurance Industry Working Group to foster direct collaboration between government and insurers to map out and co-design flood risk reduction strategies, protecting homeowners from uninsurability.
- **Green Infrastructure and Adaptation:** Fund and implement state-wide Permeable Pavement Strategies and Residential Adaptation Strategies to mitigate the "threat multipliers" of urban heat islands and intense flash flooding on legacy infrastructure.
- **Water for Net Zero:** Integrate Blue-Green Infrastructure (BGI) planning into national net zero targets to reduce the heavy embodied carbon of traditional concrete infrastructure.

2.6. Environmental Outcomes and Community Engagement

- **Catchment-Level Alignment:** Fund and scale collaborative, data-driven catchment management models, such as the Wianamatta Catchment Alignment Program and the "Cooks River Alliance" Model Fund, to systematically restore waterway health.
- **Transparent Reporting:** Develop and fund an annual, media-friendly "State of the Waterways" Report Card to build public awareness and political accountability regarding catchment health and pollution reduction.

3. The Governance Vacuum and System Fragmentation

The fundamental root cause of the stormwater crisis is a lack of accountable governance. In NSW alone, there is no single government entity responsible for urban waterways; instead, responsibility is fragmented across 14 Ministers, over 30 agencies, and more than 50 legislative instruments. This diffusion of accountability creates duplicated efforts, uncoordinated responses, and ensures no single entity drives necessary reform.

This state-level failure is compounded by a collapse of national leadership. In 2025, the national peak body, Stormwater Australia, underwent a dissolution and reformation of its Board due to governance and financial failures, heavily linked to the unsustainable funding model of its flagship product verification program, SQIDEP.

Recommendation for the NWI: The renewed NWI must mandate the establishment of a single "Lead Agency" in each state or territory with the legislative power to set statewide policy, standards, and compliance for stormwater management.

4. A Failed Funding Model and Generational Infrastructure Backlogs

The current funding model for stormwater is structurally broken. In NSW, the primary funding mechanism—the stormwater management services charge—was capped at $25 per property in 2006 and has remained unindexed ever since. This has created an unsustainable funding gap that forces councils into a state of "asset ignorance" and financial crisis.

The consequence is a multi-generational infrastructure backlog. For example, North Sydney Council faces a $157 million infrastructure backlog, while Ku-ring-gai Council reports assets "deteriorating for generations". To survive, councils are being forced to apply to the Independent Pricing and Regulatory Tribunal (IPART) for massive Special Rate Variations (SRVs) just to plug systemic deficits.

Recommendation for the NWI: The NWI must prioritise a modern, sustainable funding model linked to the true lifecycle cost of managing stormwater assets. We call for independent reviews to uncap and index state stormwater levies, alongside the establishment of a federally-backed "National Asset Renewal Fund" to co-fund the clearance of the generational backlog.

5. Asset Ignorance and the Maintenance Deficit

The sector suffers from a chronic lack of asset data, making evidence-based risk management impossible. Councils frequently report "orphan assets" that are not recorded on any official register, possessing no documented owner, value, or maintenance schedule. Wingecarribee Shire Council, for instance, reported 1,303 assets with "blank" condition data in 2025.

This "asset data black hole" directly causes a catastrophic maintenance deficit. Assets are allowed to fail to a state of near-total disrepair, forcing councils into highly expensive capital replacements rather than cost-effective preventative maintenance.

Recommendation for the NWI: Stormwater 2030 advocates for a "manage-first" approach. A renewed NWI must support mandatory, standardised asset condition assessments and promote the rollout of predictive maintenance technologies, such as large-scale IoT sensor trials.

6. Elevating Industry Standards: Findings of the SQID Taskforce

The NSW SQID Taskforce, comprising 25 industry experts, generated over 130 actionable recommendations to address the failure of stormwater infrastructure verification and maintenance. Currently, the SQIDEP program is significantly underutilized and primarily focuses on water quality, neglecting critical whole-of-life factors.

To drive a strong, accountable industry, the Taskforce recommends:

- **Mandating SQIDEP:** State governments should mandate or strongly incentivize the use of an expanded SQIDEP framework for the approval of all new proprietary SQIDs.
- **Expanding Evaluation Criteria:** SQID assessment must be broadened to include Lifecycle Costing, Safety, Constructability, and Maintenance (LSCM).
- **National Maintenance Guidelines:** The *Guidelines for the Maintenance of Stormwater Treatment Measures* (the "Yellow Book") should be formally adopted by Stormwater Australia as the national maintenance manual and digitized into a web-based portal.
- **Accredited Training:** Stormwater Australia should spearhead a nationally recognized, formal qualification for SQID maintenance (a "Yellow Card") through bodies like BuildSkills Australia or IPWEA to professionalize the industry.

7. Climate Change, Flood Risk, and Insurance

Stormwater infrastructure is a critical line of defense against the "threat multipliers" of intense rainfall and urban densification. Legacy infrastructure is currently undersized and overwhelmed, escalating flood risks and directly threatening the insurability of Australian homes.

Recommendation for the NWI: A renewed NWI must explicitly integrate stormwater planning with climate resilience. This includes establishing dedicated working groups between government and the insurance industry (e.g., the Insurance Council of Australia) to co-design risk reduction strategies, and developing state-wide permeable pavement and residential adaptation strategies to mitigate urban heat islands and flash flooding.

8. Water for Net Zero and Climate Adaptation

The Productivity Commission's 2024 Inquiry correctly highlights the transition to "net zero" as a major new pressure on water resources. Currently, stormwater management relies heavily on carbon-intensive, traditional concrete "pit-and-pipe" replacements. A renewed NWI must explicitly align stormwater management with Australia's net zero targets. By prioritising and funding natural, Blue-Green Infrastructure (BGI) and permeable pavement strategies, governments can drastically reduce the heavy embodied carbon footprint of the water services sector. Furthermore, efficient urban stormwater harvesting reduces the energy-intensive demand placed on potable water treatment and desalination plants, directly contributing to broader emissions reduction goals.

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9. Information request Part A – NWI assessment

1. Progress since the 2024 NWI assessment While the Productivity Commission has previously noted progress in broader water management, the stormwater sector specifically is widely characterised as a **"system in crisis"**. Progress in stormwater management has been severely limited and, in some cases, reversed due to a collapse of national leadership and a chronic **"governance vacuum"**. At the national level, progress was derailed in 2025 when the sector's peak body, Stormwater Australia, suffered a governance collapse and the dissolution of its board. This was directly linked to the financial failure of its flagship Stormwater Quality Improvement Device Evaluation Protocol (SQIDEP), which suffered from an "unsustainable funding model".

2. Barriers and emerging risks

- **Governance Barriers:** Responsibility for stormwater is extremely fragmented. In NSW alone, stormwater management is diffused across 14 Ministers, over 30 agencies, and more than 50 legislative instruments, ensuring no single entity is accountable for driving reform or maintaining catchment health.
- **Funding Barriers:** The primary state funding mechanisms are structurally flawed. The NSW stormwater management services charge was capped at $25 per property in 2006 and has remained unindexed ever since, creating a massive, unfunded "generational backlog" of failing infrastructure.
- **Asset Management Risks:** Councils are forced into a state of **"asset ignorance"**, frequently possessing "orphan assets" with no documented owner and "blank condition data". This makes evidence-based risk management impossible and results in a catastrophic maintenance deficit, turning some green infrastructure into "ecological traps".
- **Climate Change Risks:** Climate change acts as a **"threat multiplier"**. Legacy stormwater infrastructure is undersized and currently failing under intense rainfall and urban densification, directly escalating flood risks and creating uninsurable properties.

3. Forward reform priorities (next three years)

- **Accountable Governance:** Mandate the establishment of a single **"Lead Agency"** in each state (e.g., within DEECW or the EPA) with the legislative power to set and enforce statewide stormwater policy, standards, and compliance.
- **Sustainable Funding:** Conduct independent reviews (e.g., via IPART) to uncap and index state stormwater levies to reflect true lifecycle asset costs, and establish a federally-backed **"National Asset Renewal Fund"** to clear the generational infrastructure backlog.
- **Data-Driven Asset Management:** Fund comprehensive state-wide asset condition assessments to eliminate "asset ignorance" and transition to proactive management using predictive technologies, such as large-scale IoT sensor trials.
- **Reforming SQID Verification:** Mandate a nationally consistent, expanded framework for the selection and approval of proprietary Stormwater Quality Improvement Devices (SQIDs) that evaluates Lifecycle Costing, Safety, Constructability, and Maintenance (LSCM), rather than just water quality.

10. Information Request Part B – Secure, Resilient and Sustainable Services

Overall Questions

- **Working effectively:** Very little within the current stormwater service arrangement is operating effectively. The sector is universally characterised as a "system in crisis" paralyzed by a "governance vacuum," a "failed funding model," and a "generational backlog" of failing infrastructure.
- **Risks, inefficiencies, and misalignments:** The primary material risk is catastrophic infrastructure failure driven by "asset ignorance". Councils report "orphan assets" missing from registers and "blank condition data," which makes proactive risk management impossible. This creates an escalating, uninsurable flood risk compounded by the "threat multipliers" of climate change and rapid urbanisation.
- **First Nations communities:** The 2024 NWI assessment identified the lack of recognition of First Nations peoples' water interests as a major shortcoming of the original 2004 agreement. While current fragmented stormwater governance poses a barrier to culturally appropriate waterway management, systemic reform offers a path forward aligned with the National Agreement on Closing the Gap. A renewed NWI must ensure that catchment-level planning and Blue-Green Infrastructure development—such as the proposed Wianamatta Catchment Alignment Program—are co-designed directly with Traditional Owners to protect catchment health and reflect cultural responsibilities for water.
- **Specific reforms to improve outcomes:** The core reforms needed are the formal appointment of a single "Lead Agency" with legislative power to set policy, the uncapping and indexation of the stormwater levy, the establishment of a "National Asset Renewal Fund", and the mandating of the Stormwater Quality Improvement Device Evaluation Protocol (SQIDEP) for all new proprietary devices.

Theme 1: Pricing and Economic Regulation

- **Trade-offs between policy objectives:** Current pricing completely fails to balance service reliability, environmental outcomes, and financial viability. The Productivity Commission noted with concern in 2024 that governments have weakened independent regulation and moved away from cost-reflective pricing.

This is explicitly evident in stormwater. The rigid, unindexed $25 cap in NSW represents a structural funding deficit. To manage this, local councils are frequently forced to pursue highly unpopular Special Rate Variations (SRVs) through the Independent Pricing and Regulatory Tribunal (IPART) just to secure basic capital to clear multi-million dollar infrastructure backlogs. The renewed NWI must explicitly mandate the use of independent economic regulators to set cost-reflective stormwater tariffs, removing the ability of state governments to arbitrarily cap these critical levies.

- **Incentives and efficiency:** Regulatory settings currently incentivize inefficient outcomes. Because there is a lack of sustainable revenue for ongoing maintenance, complex Water Sensitive Urban Design (WSUD) assets and Stormwater Quality Improvement Devices (SQIDs) are allowed to deteriorate. This creates a perverse incentive where nearly 70% of capital invested in green infrastructure is wasted, forcing high-cost capital replacements rather than prudent operational expenditure.
- **Process and regulatory burden:** The regulatory burden is exacerbated by fragmented local guidelines. The lack of standardisation forces the development industry to navigate inconsistent Development Control Plans (DCPs) across different councils. Implementing a unified "National Stormwater Manual" and standardised guidelines would drastically reduce these compliance and planning costs.

Theme 2: Governance, Accountability and Coordination

- **Roles, responsibilities and accountability:** Roles are profoundly unclear. In NSW, stormwater is managed across 14 Ministers, over 30 agencies, and more than 50 legislative instruments, creating a "governance vacuum". This results in "unclear maintenance responsibility" where assets are abandoned. To restore accountability, Stormwater 2030 advocates for establishing a "Lead Agency" (e.g., DEECW or EPA), alongside independent dispute resolution mechanisms such as an ombudsman for the SQIDEP framework.
- **System coordination:** Current arrangements operate in highly fragmented silos, which blocks systemic reform. Effective coordination between stormwater, wastewater, and land-use planning is lacking, highlighted by the dangerous "conflation" of stormwater and sewage systems during flood events. A permanent, multi-stakeholder "Heads of Government/Industry Focus Group" must be established to align economic regulators, state agencies, developers, and the insurance sector.

Theme 3: Regional, Remote and Equity Considerations

- **Financial sustainability and viability:** Structural factors such as low customer density drastically affect the viability of regional providers. The fixed stormwater levy does not reflect the higher per-customer costs in regional areas, resulting in multi-generational maintenance backlogs for councils like MidCoast, Richmond Valley, and Wagga Wagga.
- **Service equity:** The current funding model fails to balance cost-recovery and equity, leading to systematically lower service standards and higher flood vulnerability in underfunded regions. A proposed reform to improve equity without undermining viability is the creation of a state-backed "Stormwater Resilience Fund" to co-fund the clearing of regional infrastructure backlogs, conditional on councils adopting modern, data-driven asset management standards.
- **Alternative models for service provision:** To improve performance, a "Community and Industry Alliance" Model Fund is proposed to incentivize private sector investment into community-led catchment management. Furthermore, adopting a predictive asset management model via large-scale Internet of Things (IoT) sensor networks (e.g., a 10,000 sensor trial) would allow remote and regional councils to monitor high-risk assets efficiently without heavy manual labor costs.

Theme 4: National Consistency and Intergovernmental Coordination

- **Compliance costs from differences between jurisdictions:** The lack of a nationally unified framework for stormwater verification creates massive inefficiencies. Manufacturers and developers must navigate differing approval protocols, allowing unverified, poor-performing devices to compete unfairly with proven technologies.
- **Areas where national consistency delivers net benefits:** The industry would see profound net benefits by transitioning the locally developed SQIDEP framework to align with internationally recognised protocols (such as TAPE or ETV). Furthermore, formally adopting the "Yellow Book" as the national maintenance manual, and creating national accreditation programs for installers ("Blue Card") and maintenance providers ("Yellow Card"), would ensure a consistent, verifiable standard of practice across Australia.

- **Strengthening intergovernmental coordination:** Coordination can be enhanced without increasing regulatory complexity by formalising cross-industry taskforces. Stormwater 2030 explicitly advocates for the establishment of a Federal Taskforce on Waterway Health to spearhead a nationally consistent approach to urban water, linking state-level implementation to federal funding initiatives.

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11. Consultation and Industry Engagement

The findings and recommendations presented in this submission are grounded in an unprecedented level of cross-sector collaboration. They draw heavily on the 8-month NSW SQID Taskforce, which saw 25 industry experts from academia, local councils, regulators, and private industry volunteer over 5,000 hours to develop over 130 actionable recommendations for the sector.

12. Conclusion

Australia's urban water future depends on formally integrating stormwater management into the national water security conversation. As the Productivity Commission evaluates the next iteration of the National Water Initiative (NWI), it is imperative that stormwater is no longer treated as the 'forgotten sibling' of the water services industry.

Fragmented governance, a structurally broken funding model, and a multi-generational backlog of failing infrastructure present systemic risks that threaten our environmental health and economic prosperity. However, by adopting the systemic reforms detailed in this report—namely mandating Lead Agencies, utilising independent economic regulators to uncap state levies, establishing a National Asset Renewal Fund, and implementing robust national SQID evaluation standards—governments can transform this crisis into an opportunity. Stormwater 2030 stands ready to collaborate with the Commission and all levels of government to enact these changes and secure our vision of world-class harbours, rivers, and beaches.

We are happy to provide more information to the enquiry and wish you the best of luck.

Regards

David Nixon

Chairperson

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Attachments

- 2026 NSW Budget Submission (ERC)
- State of Stormwater in NSW 2025 Report
- NSW SQID (Stormwater Quality Improvement Device) Taskforce Report Volume 1