15 June 2026

Danielle Wood
Chair
Productivity Commission
4 National Circuit
Barton ACT 2600

Submitted via Web Portal: Call for Submissions Housing Supply Regulation

Dear Chair,

RE: Submission to Productivity Commission's call for submissions on housing supply regulation

We welcome the opportunity to submit to the Productivity Commission's inquiry into housing supply regulations.

The 19th and 20th centuries saw the development of a bifurcation in public-private engagement. The development of an efficiency-driven public administration as a market regulator upstream and a market-fixed downstream, and, in both roles, taking an antagonistic, transactional view with an assumed negative intent toward the private sector to the end of minimising externalities of private sector activities. Equally, the development of an investment-driven socio-technical private sector as the driver of societal value creation.

Collectively, across Australia, we find ourselves trying to help public entities across Australian governments solve 21st-century problems with 20th-century, and sometimes 19th-century, regulatory settings. This dichotomy leaves us falling behind in addressing key 21st-century challenges, such as a structural housing shortage, floundering productivity and strained public coffers. We need to reframe the relationship between public stability and private agility to foster collaboration for value creation.

With a focus on water and wastewater infrastructure, we call for the pursuit of market-shaping frameworks for public-private collaboration. We emphasise a "collaborative relationship between legal-rational authority and capitalist development,"[1] encouraging the private sector to bring innovation, speed and agility, balanced by public and community interests through stable public institutional participation.

> JUST FOR SYDNEY, THE HOUSING CRISIS IS COSTING $14 BILLION A YEAR IN LOST PRODUCTIVITY[2]. WHY ARE WE ARTIFICIALLY PURPOSEFULLY LIMITING THE SOLUTION SPACE TO AN ABJECTLY LOWER PRODUCTIVITY PUBLIC SECTOR AND NOT PULLING REGULATORY LEVERS TO FORCE COLLABORATION WITH THE PRIVATE SECTOR?

WATER INFRASTRUCTURE AS THE GATING FACTOR FOR NEW HOUSING SUPPLY

Housing supply in Australia is constrained at its foundations. This is a supply-side issue[3]. Reforms to planning matters count for little if the water and wastewater infrastructure needed to activate new homes cannot be delivered as essential enabling infrastructure to support supply. In urban areas, that infrastructure is mostly

[1] UCL, https://www.ucl.ac.uk/bartlett/publications/2026/feb/market-shaping-states-new-theory-public-sector-capacities-and-capabilities
[2] Committee for Sydney, *Chronically unaffordable housing: A global review of the biggest threat to Sydney's competitiveness*, https://sydney.org.au/policy-library/chronically-unaffordable-housing/
[3] The Center for Independent Studies, https://www.cis.org.au/publication/housing-affordability-and-supply-restrictions/

coNEXA Pty Limited
ACN 129 876 213
1300 266 392 I INFO@CONEXA.COM
SUITE 1005, 147 PIRIE STREET, ADELAIDE, SA, 5000

delivered through Public Water Authorities operating within a constrained, ex-ante funding cycle. Public Water Authorities in all capital cities are already fully committed and under growing pressure from ageing assets, competing priorities and a capital program that cannot keep pace with the scale of growth they are mandated to deliver. This submission makes the case that unlocking private investment in water infrastructure, through targeted reforms to the regulatory and funding framework, is one of the highest-leverage actions available to the Productivity Commission to accelerate housing supply.

This submission addresses two interconnected issues. First, we examine the funding and financing constraints that restrict the speed at which enabling water infrastructure can be delivered, the structural role of the prevailing postage stamp pricing model in distorting investment signals and the case for third-party providers to deliver growth infrastructure, particularly in greenfield areas where the cost and complexity of extending water networks is at its highest. Second, we explore the opportunity presented by a whole-of-system approach to water cycle management, in which recycled water, stormwater harvesting and sewer mining, delivered through private partnerships, can simultaneously serve water-intensive industries, reduce demand on the potable network and free up capacity for housing. These two issues point toward the same conclusion: the regulatory architecture governing water infrastructure across states was not designed for the scale of housing challenge that Australia now faces, and reform is both necessary and achievable.

WHO WE ARE

coNEXA Infrastructure Partners is a specialist water infrastructure investment platform. Our focus is on water and water-related infrastructure, where we partner with governments, utilities and major infrastructure users to deliver solutions that address complex infrastructure challenges. Because we are backed by superannuation and pension fund capital, our solutions help everyday Australians achieve a brighter retirement.

We develop, deliver, own, operate, maintain and renew water infrastructure solutions. We have existing assets in NSW and SA; we are expanding them to meet growing demand. We are developing water infrastructure solutions across Australia, including those to support housing, particularly on the urban fringe directly. However, our ability to expand quickly enough to help meet demand is constrained by regulatory challenges across states that limit public-private collaboration and private capital participation. This reinforces the need for an integrated, collaborative approach.

REIMAGINING REGULATORY SETTINGS TO DELIVER URBAN WATER'S FUTURE

Water infrastructure is a prerequisite for housing. In most jurisdictions, a development cannot receive a subdivision certificate without first obtaining some approval from a Water Authority, making access to water and wastewater connections a substantial constraint on housing delivery. Understanding how water infrastructure is planned, funded and delivered is therefore inseparable from understanding why housing supply moves at the pace it does.

This section responds to the following of the Commission's scope of inquiry:

Processes and frameworks to deliver new and utilise existing housing infrastructure (for example, growth infrastructure planning, developer contributions models)

Specifically, this section seeks to respond to two Information Request Items:

6 *How do development contributions and contributions frameworks affect project feasibility and new housing supply?*

7 *What other regulations relating to housing-enabling infrastructure should be a priority for reform to increase new housing supply?*

Relating to: *Processes and frameworks to deliver new and utilise existing housing infrastructure*.

coNEXA Pty Limited
ACN 129 876 213
1300 266 392 I INFO@CONEXA.COM
SUITE 1005, 147 PIRIE STREET, ADELAIDE, SA, 5000

A Funding Crunch Restricting the Speed of Infrastructure Delivery

Delivering the water and wastewater infrastructure needed to enable housing growth is primarily a funding and financing challenge. The current regulatory and funding frameworks are misaligned with the scale and speed of infrastructure delivery that the National Housing Accord targets demand. No state or Territory is meeting its targets or is on track to meet them in the future[4]. Without reform, this will continue to constrain housing supply regardless of planning or zoning decisions.

Current framework in the Most Populous City in the Most Populous State as an example

We use Sydney as an example because of some general commonality across states and to provide more specific commentary. Some common DNA (independent regulators, cost-recovery and prudence tests, multi-year determinations) is shared across the Commonwealth, but the way regulators translate that into investment programs, incentives and the strength of scrutiny vary, indicating the need for scrutiny of both the objectives of regulation and the manner of implementation to consider how to tune the system to get the desired outcomes.

IPART regulates water infrastructure contributions in NSW through Development Servicing Plans (DSPs), which set the charges developers must pay to connect new lots to Sydney Water's network. These contributions are collected only when a developer obtains a Compliance Certificate from Sydney Water, meaning Sydney Water must commit significant capital upfront before there is any certainty about the pace or quantum of development activity. While IPART's most recent pricing determination for Sydney Water's 2025-30 period represents the highest annual capital expenditure ever approved, it remains below Sydney Water's own assessed capital requirements to meet growing demand. This gap reflects a regulatory framework that cannot keep pace with the scale of NSW's infrastructure challenge.

The postage stamp pricing model

A further source of tension in the current environment is the postage-stamp pricing model, under which Sydney Water charges uniform prices for water and wastewater services across its entire network, regardless of the actual cost of serving any given location; see **Figure 1**. This model was designed to ensure equity of access across Sydney, but it creates a significant cross-subsidy problem in the context of greenfield housing delivery. Existing ratepayers significantly subsidise the actual cost of servicing new development in areas like the growth corridor in Southwest Sydney, which requires extensive new infrastructure, far from existing networks.

This dynamic disincentivises investment in the highest-cost growth areas and creates a bias toward servicing areas where existing infrastructure can be leveraged to support densification and delivery of units at lower marginal cost, thereby increasing pressure on an already backlogged housing supply by prohibiting delivery of the key detached dwelling typology. This reinforces and entrenches the structural undersupply of housing.

The Resulting Supply Disruption

Deferring infrastructure in greenfield locations does not redirect development elsewhere; it stalls it entirely, eroding investor confidence and weakening all states' ability to meet their Housing Accord commitments. Greenfield housing provides the stable baseload of new homes, delivered through structured, long-term pipelines that are less exposed to the cyclical feasibility pressures currently undermining apartment construction across cities.

As an example, with construction costs running approximately 30 per cent above pre-COVID levels and the cost to deliver a standard two-bedroom apartment now approaching $900,000, infill feasibility in NSW is largely confined to Sydney's highest-value northern and eastern markets[5]. These pressures show no sign of abating.

[4] Property Council of Australia, https://www.propertycouncil.com.au/media-releases/housing-targets-achievable-but-delivery-must-redouble

[5] https://www.theguardian.com/australia-news/2025/oct/11/nsw-is-desperate-for-more-houses-but-is-it-driving-development-towards-wealthy-parts-of-sydney

coNEXA Pty Limited
ACN 129 876 213
1300 266 392 I INFO@CONEXA.COM
SUITE 1005, 147 PIRIE STREET, ADELAIDE, SA, 5000

Completions have plummeted by 4,000 homes in NSW alone in the first year of the National Housing Accord[6].

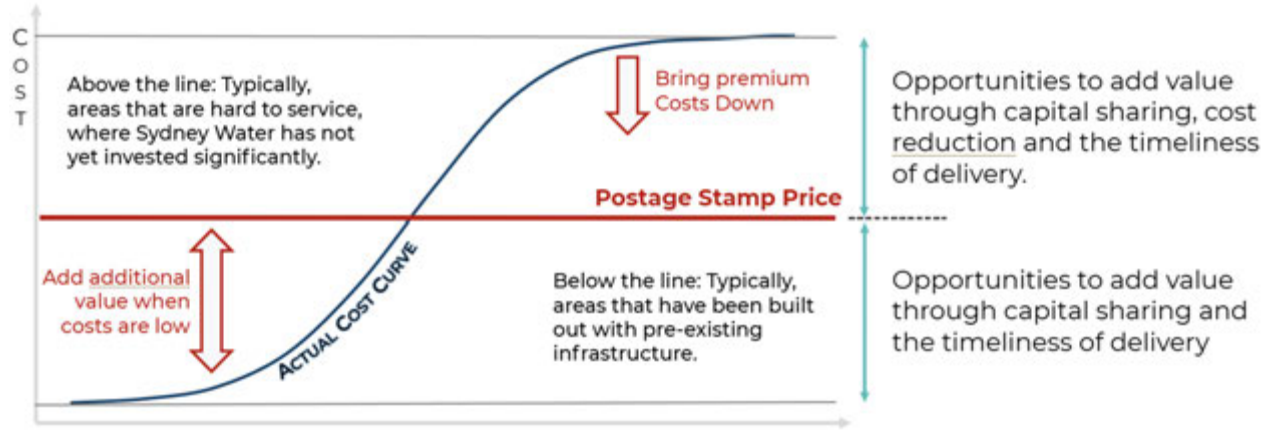

Figure 1 Postage stamp pricing explainer, Source: coNEXA

The NSW Quarterly Construction Cost Update indicates that residential projects continue to struggle to stack up, with key trades and materials remaining volatile and civil works carrying the greatest risk[7]. Greenfield housing, by contrast, retains a positive feasibility margin even after infrastructure contributions, making it one of the few segments of the market still capable of delivering homes at a price accessible to middle-income households[8]. Australia's housing market requires the delivery across the spectrum of typologies to make housing supply more affordable, stable and diverse.

> WITHOUT REFORM FOR THE DELIVERY OF WATER INFRASTRUCTURE, THE NATIONAL HOUSING ACCORD STANDS AT RISK OF BEING AN EMPTY PROMISE, AT BEST. AT WORST, THE STATES' HAZARD BEING COMPLICIT IN EXACERBATING ALREADY PLUMMETING CONSTRUCTION INDUSTRY PRODUCTIVITY BY NOT USING THE CURRENT STATE OF HOUSING SUPPLY AS A CALL TO ACTION.

Costs are up, and productivity is down. ABS data from February of this year showed that construction industry productivity had declined for a seventh consecutive year, making productivity in building things 21.5 per cent lower than just over a decade ago[9]. There is a case for expanding the solution space to support higher productivity in the water and wastewater infrastructure delivery sector of the broader construction industry.

The Case for Third-Party Financing, Funding and Delivery

The status quo makes a compelling case for a more active role for third-party licensed water infrastructure providers in the housing delivery pipeline.

Private providers, operating under the eye of public institutions (like the implementation of the Water Industry Competition Act (WICA) framework in NSW), are not subject to the same constraints as public authorities, can access patient, long-term capital from institutional investors like Australian Superannuation Funds, and can deploy solutions with a speed and flexibility that incumbent water authorities cannot match. All of this takes place under the watchful aegis of public institutions to protect the community and environment in the same way those institutions monitor incumbent public water authorities.

[6] https://www.dailytelegraph.com.au/news/nsw/construction-data-reveals-housing-accord-saw-4000-less-homes-built-in-nsw-in-first-12-months/news-story/6dbae91bab09b7e35e216ad33585a61e
[7] NSW Quarterly Construction Cost Update, https://www.mitbrand.com/
[8] https://www.nsw.gov.au/sites/default/files/noindex/2025-09/cie-report-cost-and-feasibility-estimates-for-supplying-residential-dwellings.pdf
[9] Master Builders Australia, https://masterbuilders.com.au/latest-construction-productivity-decline-is-a-call-to-action/

coNEXA Pty Limited
ACN 129 876 213
1300 266 392 I INFO@CONEXA.COM
SUITE 1005, 147 PIRIE STREET, ADELAIDE, SA, 5000

Private providers can deliver localised water and wastewater solutions at the precinct level, reducing demand on incumbent public water authorities' broader networks and creating capacity headroom that benefits the entire system. In greenfield contexts, this model is particularly well suited to areas where the cost and complexity of extending Sydney Water's existing network are highest.

A third-party provider can develop fit-for-purpose infrastructure without the need to absorb the full weight of an incumbent public water authority's capital prioritisation process. In infill contexts in Sydney, local recycled water solutions delivered by third parties can reduce potable water demand by 30 to 50 per cent and wastewater load by a similar margin, effectively creating "skinny connections" to Sydney Water's network that maximise the productive use of existing assets without requiring major augmentation.

CASE STUDY:

The Wilton Growth Area in Sydney's south-west illustrates the consequences of relying solely on Sydney Water to deliver growth infrastructure.

Water and wastewater servicing, which would unlock development capacity for thousands of additional homes, is currently uncertain, with delivery timelines ranging from 2029 to 2033-34. This uncertainty appears not to be driven by technical complexity but by Sydney Water's capital prioritisation constraints, competing demands from other growth areas and the structural limitations of the IPART funding cycle. A third-party provider, operating under a WICA licence and backed by long-term institutional capital, could develop and deliver servicing infrastructure outside of Sydney Water's constrained capital program, bringing forward housing delivery by potentially two to four years and reducing the risk borne by developers and landowners in the interim.

A WHOLE-OF-SYSTEM RESPONSE TO WATER CYCLE MANAGEMENT

Water infrastructure challenges are not simply about building more pipes; to meet them, we need to use the water we have more intelligently across the whole system. A whole-of-system approach to water cycle management, one that integrates recycled water, stormwater harvesting and sewer mining alongside conventional network investment, offers a practical pathway to relieve pressure on constrained capital programs while simultaneously unlocking capacity for housing growth. The key to making this work is private participation.

Reducing Pressure on the Network: Recycled Water and Private Capital

Water-intensive industrial users, including data centres, compete with the ambitious housing targets for capacity from networks already under significant strain. Where water-intensive industries can be serviced by recycled water rather than drawing from the potable supply, that capacity is unlocked to support housing.

As a concrete example, Western Sydney is home to both Sydney's largest concentration of water-intensive industrial users, including data centres and some of the state's most ambitious housing targets, all competing for capacity from networks already under significant strain. coNEXA's AquaNet asset, a privately funded and licensed recycled water network operating in Western Sydney since 2011 and regulated under the Water Industry Competition Act, can produce up to 25 megalitres of high-quality recycled water per day and is already supplying data centre customers.

This kind of infrastructure does exactly what housing delivery programs need the broader water system to do: it diverts demand away from constrained potable networks, reduces the cost and urgency of treatment plant augmentation and creates headroom for residential connections without requiring incumbent public water authorities to spend more. The model works precisely because it sits outside the incumbent public water

coNEXA Pty Limited
ACN 129 876 213
1300 266 392 I INFO@CONEXA.COM
SUITE 1005, 147 PIRIE STREET, ADELAIDE, SA, 5000

authorities' capital envelope. It is funded, built and operated through private capital structures that do not draw on the government's balance sheet.

The participation of patient, private capital from pension funds and super funds can relieve stress on over-stressed public coffers. Third-party participation cuts through the false dichotomy between housing and data centres, enabling us to redouble efforts to catch up on housing undersupply without missing out on the economic benefits of Australia securing its position as the data centre Capital of the Asia Pacific Region.

Sam Altman recently declared in conversation that "Australia has among the best natural resources and abundant clean energy [stores] in the world, and if Australia wanted to become a data centre capital of the world, it would certainly be able to." [10] However, the time is limited. Funding for compute capacity moves like water, following the path of least resistance to other nations. If nothing changes, regulatory headwinds will cause us to miss out.

A partner investment framework

The current framework treats water infrastructure delivery as the exclusive domain of incumbent public water authorities, with private participation limited to the margins. This is not the most optimal model for the scale and pace of growth across capital cities.

Rather than incumbent public water authorities absorbing the full cost of network augmentation through price increases to households, or deferring investment because the capital envelope cannot accommodate it, a partner investment framework would create defined pathways for private co-investment in network-level infrastructure that delivers shared benefits across multiple users and sectors.

This is a structural response to a structural problem. Incumbent public water utilities remain the network operator and provider of last resort. What changes is the recognition that private partners, backed by long-term institutional capital, are better placed to fund, build and operate specific classes of water infrastructure.

This is particularly true for two cases: 1) high-cost greenfield locations and 2) those where demand is being driven by new, large-scale users such as data centres. The risk sits with the capital structure designed to manage it, not with government or the households paying water bills.

Enabling housing growth

Every megalitre of potable water demand diverted to recycled sources is a megalitre of capacity freed for residential connections. Every piece of water infrastructure delivered through private capital is one less item competing for space in constrained capital programs. Every greenfield growth area served by a third-party licensed provider need not wait in the queue behind projects that incumbent public water utilities have already committed to in an ex-ante process that excludes agile reprioritisation.

For infill development, local recycled water solutions can reduce potable water demand by 30 to 50 per cent and wastewater load by a similar margin, creating what are effectively connections to existing networks that maximise the productive use of assets already in the ground[11]. In high-density precincts where network capacity constrains development approvals, this approach removes the bottleneck without requiring incumbent public utilities to spend a dollar.

The opportunity is not limited to capital cities; regional areas present complementary pathways, particularly where existing wastewater treatment infrastructure, available land and emerging renewable energy capacity create conditions for integrated water recycling that can support both economic diversification and population growth simultaneously.

[10] https://www.afr.com/companies/financial-services/openai-s-sam-altman-says-australia-can-be-a-data-centre-world-leader-20260525-p6008q

[11] Source is coNEXA collateral documents, 087_Engagement_collateral_DRAFT.pptx slide 25

coNEXA Pty Limited
ACN 129 876 213
1300 266 392 I INFO@CONEXA.COM
SUITE 1005, 147 PIRIE STREET, ADELAIDE, SA, 5000

WHAT NEEDS TO CHANGE

A national problem deserves an integrated approach. The regulatory, planning and approval frameworks governing private water infrastructure participation were not designed for large-scale collaboration.

We submit that the regulatory frameworks governing private participation in water infrastructure are one of the most significant barriers to housing supply that policy has yet to address. The reforms required are not complex, but they do require action across multiple levels of government and regulatory settings. We call on the Productivity Commission to prioritise the following:

- **Clearer approvals pathways**: current licensing and approvals processes, where they exist, for private water infrastructure providers are slow, commercially uncertain and not designed for network-scale co-investment. Streamlined and time-bound approval pathways would materially reduce the lead time and cost of bringing private capital into housing-enabling water infrastructure. This should include involving private participants earlier in the planning process to enable the efficient costing of an efficient solution. Competitive neutrality and market regulation (not price regulation) should be considered to encourage dynamic efficiency gains. Broader Investment in water solutions is now not optional; it's a matter of strategic prudence to avoid the negative consequences of climate change.

- **A proactive engagement obligation for incumbent public water authorities**: public entities should be required to engage with licensed third-party providers that can demonstrate the capacity to deliver growth infrastructure within their operational area. This is particularly relevant in greenfield growth areas where capital programs cannot accommodate timely delivery. Real contestability to increase productivity should be baked into the process. Viable wholesale pricing should be considered by looking to other utility sectors for precedents. Water infrastructure is abjectly underinvested. There is a fundamental need to change the current approach to investment in water. We should not ask a single institution in a given catchment or watershed to be the sole steward of water.

- **A formal partner investment framework**: government, utilities and private providers should operate within a defined co-investment framework that establishes shared objectives, governance arrangements, and risk allocation principles. This does not require privatisation; it requires a structured, transparent pathway for collaboration that adopts a responsible approach to investing, valuing and prioritising equity, sustainability and long-term stewardship. Without clear, strict guardrails, there is a risk of repeating the mistakes seen in other essential sectors such as energy, housing and healthcare, where financial returns have been prioritised over public well-being. Responsible water investing must be grounded in principles that protect public interests and align patient capital with high-impact solutions that enhance resilience, share value and protect long-term public benefit.

The pathways for genuine co-investment between utilities and private partners at a network level remain unclear, slow and commercially uncertain. Removing this friction through clearer approval pathways and a commitment by public entities to engage with licensed third-party providers proactively is the most practical reform available to unlock water infrastructure capacity for housing.

Please do not hesitate to make contact if you have any questions or require more information.

Yours sincerely,

Chris Gantt
Chief Growth Officer
M :
E :

coNEXA Pty Limited
ACN 129 876 213
1300 266 392 I INFO@CONEXA.COM
SUITE 1005, 147 PIRIE STREET, ADELAIDE, SA, 5000