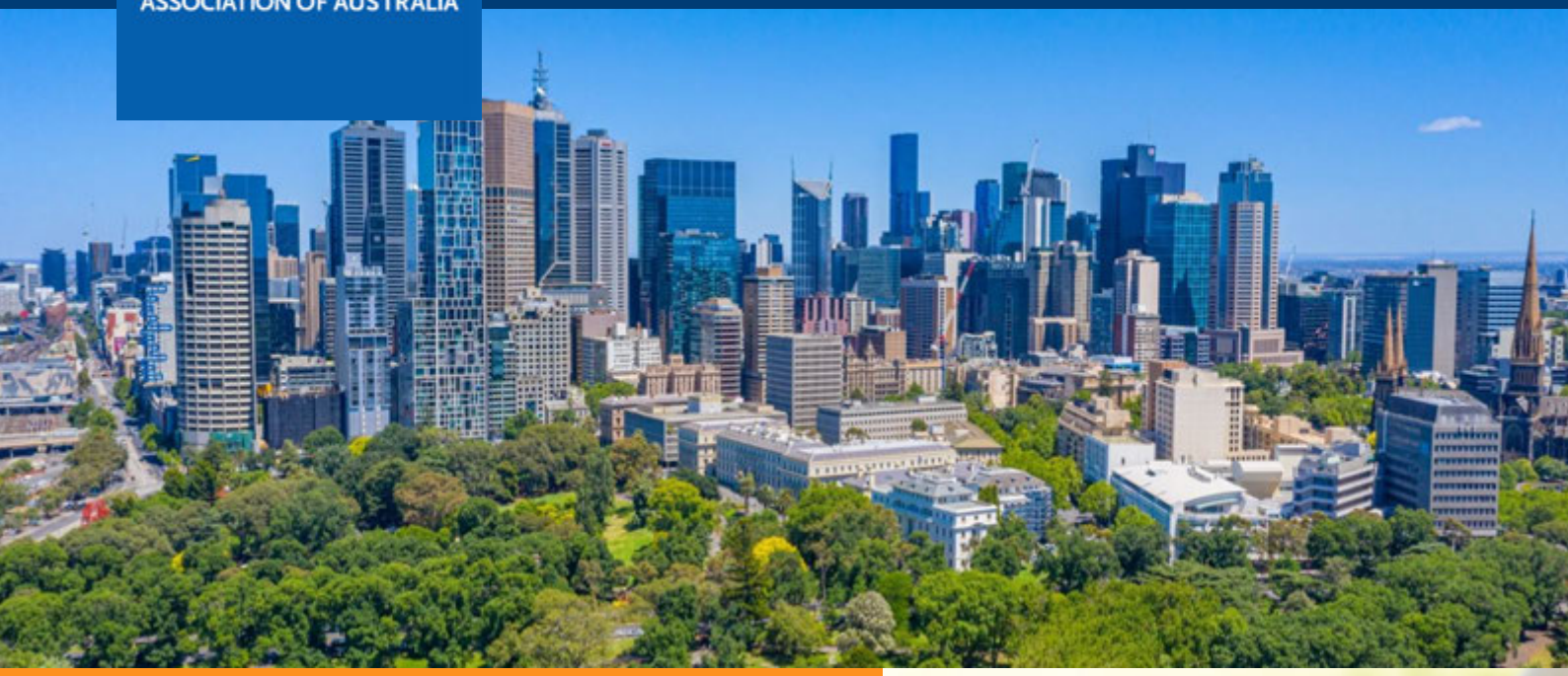
WATER SERVICES
ASSOCIATION OF AUSTRALIA



Submission to Productivity Commission: Housing Supply Regulation

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Context

Executive Summary

The delivery of water and wastewater infrastructure is a critical requirement for the timely provision of housing development. Investment in development related water and wastewater infrastructure has rapidly increased in recent years to support housing targets and address the national housing shortage. Whilst the water sector has mature processes and substantial dedicated resources to enable housing growth, there remain sequencing, funding, and coordination issues. Regulatory reform is one part of the solution to these issues, and key regulatory reform areas that would support enhanced delivery by the water sector include:

1. Earlier coordination of infrastructure planning with land-use decisions.
2. Streamlined Infrastructure corridors and land access
3. Improved infrastructure funding frameworks
4. Reform of economic regulation to support and recover costs of housing delivery.
    - Timing mismatch between planning and regulated funding
    - High evidentiary thresholds for growth investment
    - 5-year horizons are too short
5. Earlier, prioritised and more coordinated resolution of environmental constraints.

The central message of this submission is that housing supply reform must include streamlining the infrastructure delivery system that underpins development.

Without reform to infrastructure planning, funding and delivery frameworks, the delivery of water and wastewater infrastructure risks delayed development and increased costs to development and the existing customer base.

The Burning Platform

As set out in the Water Services Association of Australia's (WSAA) major report Water in Transition the water sector is in a transition of the same scale as the energy sector. Investment is increasing to fund water and wastewater infrastructure and the increase will continue for decades to come.

One of the major friction points is funding growth infrastructure for housing and business. The costs of providing infrastructure for new houses and businesses are very high, and under the existing postage stamp pricing model the revenue from growth customers will not cover the costs of water and wastewater infrastructure.

There is a demonstrable gap in growth funding. While the costs of providing greenfield water infrastructure vary widely, an indicative cost of water and wastewater infrastructure is $50,000 per residential lot. Normal water and wastewater bills from new housing customers are likely to only recover around $20,000 towards these costs over a 30-year period.

This leaves a gap of at least $30,000 per lot to be recovered (and often much higher). Traditionally the water sector has sought to recover this gap through up front charges on developers. However, these charges have rarely fully funded the gap. Nationally, in 2025 the water sector invested around $4.8 billion in water and wastewater infrastructure for growth. Developer contributions totalled around $1.3 billion.

If the development sector does not make an appropriate contribution, the burden of new housing falls on existing customers, putting significant pressure on water and wastewater bills. Making developers pay their fair share is an obvious regulatory reform, and WSAA has advocated for

common principles for charging developers to be included in the national water agreement alongside the existing pricing principles.

However, it should be recognised that there is a limit also to the amount developers can contribute to general infrastructure costs without affecting housing supply. As the NSW Productivity and Equality Commission said in 2024:

> *Many residential development projects in Sydney are not feasible in the current economic climate in many places, the sale price of a new home such as an apartment does not cover the costs and risk a developer faces to build that home. As a result, many residential developers are pausing their projects until the numbers stack up. Low feasibility is being driven by high interest rates and high construction costs, which have increased costs relative to the prices developers receive for selling new homes.*

WSAA's view is that we are entering an era where direct government funding of water and wastewater infrastructure is necessary and inevitable if governments' housing objectives are to be met. This would bring water in line with roads, transport and energy during the transition. The recent announcement of the $2bn Local Infrastructure Fund to support new housing infrastructure, including water and wastewater services, is welcomed by the water sector. However, many more billions of dollars of investment is required to ensure uplift in housing development across the entire country.

The clear message for this review is that regulatory reform has a significant role to play in minimising the already high costs of providing water and wastewater for housing and industry.

Introduction

The Water Services Association of Australia (WSAA) is the peak body for Australian water utilities. Our members provide water and wastewater services to over 24 million customers in Australia and New Zealand and many of Australia's largest industrial and commercial enterprises. WSAA facilitates collaboration, knowledge sharing, networking and cooperation across the water sector.

The national target for increased housing supply has resulted in a rapid increase in the required water, wastewater and drainage infrastructure necessary to service new developments. This applies to both greenfield and infill housing. The quality of outcomes are dependent on infrastructure funding; early alignment between housing targets, land-use planning; and sequencing. The infrastructure demand must also be coordinated with the rapidly increasing water demand from data centres.

Water and wastewater infrastructure is:

- Essential and non-substitutable.
- Required prior to occupation.
- Delivered through long-term capital programs (often 10+ years).

The water sector has efficient processes and dedicates significant resources towards facilitating housing growth. Utilities prioritise growth servicing through approved capital programs and growth servicing plans aligned with government growth areas, planning instruments and housing accords. Many utilities publish growth servicing plans, capital programs, information on available capacity, and how development proposals align with network delivery priorities on their websites.

There are three key challenges for the water sector in delivery of growth infrastructure:

1. **Funding and resourcing:** Meeting rapidly increasing infrastructure demand.

2. **Alignment**: Housing delivery is strongest where growth locations align with funded utility capital programs and published growth servicing plans, supported by clear sequencing discipline to protect affordability and system reliability.

3. **Coordination and delivery**: Earlier engagement, clearer signalling of capacity and constraints, earlier agreement on funding responsibilities, and reduced late changes with greater flexibility.

This submission builds on the central proposition that housing supply reform must streamline the infrastructure delivery systems that underpin development.

Housing growth, including delivery of water and wastewater infrastructure, is enabled through planning processes. Policy solutions should focus on **earlier, clearer and effective system-wide coordination**. Governments are encouraging utilities to shift from reactive, asset-led delivery to proactive, system-planned approaches with clearer growth servicing plans, better alignment with housing strategies, more flexible funding models and improved transparency about capacity and constraints. Regulatory reform must support this.

Response to Discussion Paper

General

Question 1. Which regulatory reforms should governments prioritise to get more homes built more quickly?

Regulatory reform is required to address the challenge of timely infrastructure delivery. The water sector faces three main regulatory impediments to improved supply of infrastructure for housing development:

- **Approval processes**: Earlier coordination and sequencing of development and associated infrastructure (refer to our responses to questions 2 and 3).
- **Land use**: Streamlined infrastructure corridors and land access (refer to our responses to questions 4 and 5).
- **House enabling infrastructure**: Improved infrastructure funding frameworks, reform of economic regulation, environmental regulation and flood risk compliance (refer to our responses to questions 6 and 7).

Approval Processes

Question 2. Which steps of the housing regulatory approvals process are the most onerous, time consuming and costly? Why? How could the burden be reduced without compromising regulatory objectives?

For the water sector, granting approvals for **out of sequence housing developments** is the most time consuming and costly element of the process.

Utilities prioritise infrastructure construction based on:

- Network impacts (impacts on existing infrastructure).
- In-sequence growth commitments and delivery program efficiency and affordability.
- Developer-funded acceleration.

Timeframes for out-of-sequence development are rarely guaranteed, often conservative, and strongly conditioned.

The current approach of the water sector is designed to protect customers and planned growth, not to optimise individual developments.

This burden could be reduced by:

- **Earlier and clearer growth servicing plans** including closer and proactive engagement with developers to understand future plans.
- **Better development and water infrastructure alignment with land-use and housing targets**. More transparent publication of servicing constraints, corridor requirements and

indicative infrastructure pathways, so that developers can better assess whether land is genuinely serviceable before major planning steps are underway. Sydney Water's Growth Servicing Plan, Urban Utilities' Water Netserv Plan and Icon Water's Growth Servicing Plan demonstrate that utilities are already moving in this direction, and these models could be strengthened and normalised across jurisdictions.

- **Examining incentive structures and holding costs within PSP areas** to further bolster development and infrastructure delivery. Consideration should be given to mechanisms that improve the commercial attractiveness of progressing development and associated infrastructure investment alongside the legislative and resourcing requirements to overcome sequencing barriers to development.
- **The benefits of infill development and utilising existing infrastructure have significant avoided cost benefits**. Policy positions that incentivise and speed up infill development should be considered. Regulatory mechanisms that distinguish between zoned land and service-ready land, including clearer reporting on where housing growth is contingent on unresolved water infrastructure land access, corridor protection or augmentation issues. Evidence from Victoria and NSW shows that housing can remain delayed for years where those issues are unresolved.

Question 3. Which recent reforms to approvals have been most and least effective in increasing new housing supply?

South Australia's recent reforms go beyond 'faster approvals' and directly tackle the bottleneck that often matters most in practice: **sequenced, funded, and coordinated enabling infrastructure** (especially water and wastewater). The South Australian Government has integrated land release and rezoning reforms with a Housing Roadmap, a Growth and Infrastructure Coordination Unit, an Infrastructure Coordination Group, and a major water and wastewater investment program designed to unlock tens of thousands of homes.

Availability and use of land for housing

Question 4. Which specific zoning and land-use controls most limit the supply of new housing? What are the benefits to consider of specific land-use controls? How does this vary across particular Australian jurisdictions or areas?

A priority for reform is the regulatory treatment of **access to land for housing-enabling infrastructure**. Current regulatory systems often assume that once land is rezoned or a growth area is identified, the supporting water infrastructure can be delivered through normal utility processes. In practice, this is often not the case. Utilities may still need to secure easements over private land, reserve land for drainage and flood mitigation, protect existing assets from encroachment, and coordinate with road and utility corridors before infrastructure can be delivered.

The Productivity Commission should therefore consider the following reforms as priorities:

- **Streamline acquisition and easement creation for designated housing-enabling infrastructure**. Where growth areas have already been identified through government planning processes, states should provide more efficient statutory pathways for securing water infrastructure easements, reserves and access rights, with clear compensation and governance safeguards. Existing frameworks already recognise that compulsory acquisition may sometimes be required where voluntary acquisition fails; the reform task is to make those pathways more timely and better aligned with housing delivery priorities.
- **A clearer statutory basis for protecting future water infrastructure corridors in identified growth areas**, comparable in principle to existing corridor protection regimes used for other essential infrastructure.
    - Require statutory corridor protection at rezoning stage enabling water infrastructure to be planned alongside transport, drainage, energy and telecommunications

    - Mandate inclusion of utility corridor plans in PSP approval
    - Introduce fast-track acquisition pathways for designated growth areas.
- **Earlier reservation of land for regional drainage, flood mitigation and bulk water / wastewater assets**, with consistent treatment across planning schemes and subdivision processes.

Question 5. How important are land release arrangements (including subdivision and titling) in limiting housing supply in an area, relative to other zoning and land-use controls?

This question has been answered in our response to Question 3 regarding out of sequence development and Question 4 access to land for housing enabling infrastructure.

Infrastructure delivery including water and wastewater services is highly dependent on land acquisition and infrastructure easements. These are often complicated by:

- fragmented land ownership
- conflict with other land uses
- timing mismatch
- legal complexity

Addressing this constraint requires earlier corridor protection, better integration between planning and infrastructure systems reducing uncertainty on the location of key infrastructure, and more proactive land acquisition frameworks.

Land release arrangements materially improve outcomes by much better quality long term demand forecasts, providing realistic staging assumptions and reducing infrastructure costs by reduction of temporary infrastructure and land acquisition cost.

Processes and frameworks to deliver new and utilise existing house-enabling infrastructure

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

Development contributions are a necessary mechanism to fund growth infrastructure, but the design, timing and transparency of these frameworks materially influence housing feasibility, timing, and infrastructure supply. However as discussed above, developer charges and contribution frameworks do not adequately fund the major water infrastructure supporting housing growth.

IPART (NSW) has recently released an issues paper about developer charges that the water sector will respond to. The IPART Issues Paper has thoroughly identified the key issues that regulatory reform needs to address and the impact that the contributions framework is having on new housing supply, not just in NSW, but nationally. The water sector supports the key principle:

> "the present value of capital and operating costs equals the present value of developer charges and revenue over the life of the infrastructure"

How this is determined applying the simplest and most transparent process needs consideration. Rather than duplicating effort, we refer the Productivity Commission to the work that IPART is undertaking in this area and the submission that water sector will make in July 2026.

A separate growth infrastructure funding issue is the ability of water utilities to make applications for federal or state government funding directly rather than through local government funding frameworks. In most Australian jurisdictions, water utilities are separate entities.

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

Funding risks from 5-year pricing submissions

In many jurisdictions, water utilities operate under 5-year economic regulation that approves the maximum prices they may charge and, implicitly or explicitly, the revenue envelope available to fund operating costs, renewals and capital investment over the 5-year period.

5-year price determinations for regulated water utilities shape the timing, scale and certainty of housing-enabling infrastructure delivery. In practice, these determinations are not just a pricing mechanism: they are one of the principal regulatory gateways through which utilities secure the revenue needed to fund growth infrastructure, renew constrained assets, and sequence works in line with development demand. Where the determination is too restrictive, too inflexible, or too poorly aligned with land-use planning, the result can be slower infrastructure augmentation, and delayed housing supply.

If the 5-year regulatory allowance is constrained, if anticipated growth cannot be demonstrated with sufficient certainty, or if investment is deferred to protect short-term affordability, then the utility may have limited capacity to build ahead of demand, even where growth areas have already been identified by planners.

5-year determinations are often required to address a genuine policy tension: Economic regulators are expected to protect customers from unnecessary bill increases, test prudency and efficiency, and avoid over-investment, while utilities are increasingly being asked by governments to support ambitious housing targets, resilience upgrades and climate adaptation. Often the determinations have a bias towards **later, more certain, lower-bill investment trajectories**, even when earlier investment would unlock housing sooner.

Key issues the Productivity Commission could address include:

Timing mismatch between planning and regulated funding

Planning systems and housing targets often move faster than price review cycles. A government may rezone land, set growth targets or adopt a housing roadmap, but if the relevant utility is mid-way through a 5-year pricing determination with no approved revenue for the required augmentation, infrastructure may be delayed until the next regulatory cycle. The alternative scenario is that pricing submissions may include and factor in growth risk potentially requiring existing customers to subsidise this faster than expected growth.

High evidentiary thresholds for growth investment

Utilities often need to show “demonstrated demand”, high certainty of timing, and prudent sequencing before regulators will approve major growth capex. This is especially evident in Icon Water’s framework and Sydney Water’s planning narrative. But early-stage housing growth often involves fragmented ownership, uncertain staging and evolving precincts. By the time demand is “certain enough” for regulation, servicing may already be late relative to planning decisions

5-year horizons are too short

Major water and wastewater assets often require 5–15 year lead times from concept to commissioning, whereas price determinations are typically 5 years. The Productivity Commission could observe that while short regulatory cycles are useful for accountability, they are not always well matched to the lead times of growth infrastructure that enables new communities

Clarity regarding adverse outcomes

Current legislative, policy, liability and insurance arrangements to provide sufficient clarity regarding the responsibilities of water authorities, developers, councils, governments and property owners where adverse outcomes occur despite compliance with statutory requirements. This should include consideration of responsibility for damages, compensation and insurance outcomes associated with flood impacts and other infrastructure-related risks.

The Productivity Commission should recommend a suite of reforms that preserve economic discipline but improve alignment with housing growth:

Create clearer pathways for anticipatory investment in priority growth areas

Utilities should be able to recover efficient early-stage investment where development is strongly signalled by government land-use plans, housing accords, precinct structure plans or corridor strategies, even if market demand is not yet fully locked in. This would reduce the structural lag caused by "prove demand first, build later" regulation. The National Water Initiative pricing principles already provide a broad national reference point on urban water pricing and cost recovery; governments could build on this to develop guidance on anticipatory growth investment.

Enable within-period adjustment mechanisms

Where housing policy shifts quickly utilities should have practical, timely access to within-period re-openers for growth CAPEX. The Victorian ESC has already issued guidance on varying determinations; comparable mechanisms could be broadened and better linked to housing-enabling infrastructure triggers.

Better integrate price reviews with infrastructure sequencing plans

Regulators should require utilities to present, and planning agencies to endorse, a clearer line of sight between:

- projected housing growth
- growth servicing plans
- corridor/land access status
- capital program sequencing, and
- funding assumptions.

Forecasts for housing growth and expectations by government need to match what is approved by regulators to secure CAPEX growth funding in submissions.

Use longer outlooks and rolling reviews for major growth infrastructure

The 5-year determination can remain the formal price setting period, but regulators should assess major housing-enabling infrastructure against 10–20 year strategic plans and use rolling updates, annual refreshes or staged approvals to avoid stop–start investment patterns.

Clarify the funding boundary between general customers, new customers and governments

A persistent housing issue is uncertainty regarding the allocation of growth costs across the customer base, recovered from new developments, or co-funded by government where there is a broader economic and social housing objective. Victorian ESC materials on new customer contributions and general water price reviews, and NSW stakeholder submissions on contributions, all point to the importance of a coherent funding framework.

The Productivity Commission should recommend clearer national principles for this allocation, including considering:

- Federal funding models for growth used by other sectors should be investigated as options for the water sector.
- Careful assessment and approval of third-party models for delivering water infrastructure to avoid outcomes where the taxpayer is required to rectify substandard infrastructure or a failure to consider long term customer service

- Setting an upper cost limit for developer contributions where government needs to top up developer contributions to ensure development remains economic and the additional burden does not fall on the water utility customers

Environmental compliance requirements

Environmental and planning constraints are fundamental to safe and sustainable housing delivery, but they also materially affect the timing, cost and feasibility of water infrastructure. This is particularly relevant for effluent disposal from new wastewater treatment plants or increased discharges resulting from housing growth. Environmental licences and nutrient disposal conditions take significant time to resolve. Small town wastewater affordability is particularly impacted by this where smaller lot sizes prevent the use of septic systems yet conventional sewerage is not viable.

The key reform opportunity is not to weaken these constraints, but to integrate them earlier and more transparently into land-use planning, so that land released for housing is genuinely capable of being serviced in a timely and cost-effective way. There is also a need to ensure a proper risk based framework effectively both considering the benefits and costs to the community without undue focus on the potential negative consequences.

Flood risk compliance

There is an underexplored role for resilience-based approaches to flood risk management and housing supply. These approaches can reduce reliance on costly infrastructure where it is not proportionate to risk and recognises that some level of flooding in urban areas will happen. Planning for this through integrated land use and emergency management can support more efficient approval processes and have an impact on housing supply.

We recommend the Productivity Commission considers the role of non-infrastructure and ‘living with flood’ approaches as part of supporting housing supply.

Conclusions

The challenge for water utilities is funding, uncertainty, late change, and misalignment — not growth itself.

Australia's ability to deliver new housing at the scale and pace required is fundamentally linked to the timely provision of water and wastewater infrastructure. While the urban water sector is actively investing to support growth, the evidence presented in this submission demonstrates that current regulatory, funding and planning frameworks are not consistently enabling infrastructure to be delivered when and where it is needed.

The challenges are not driven by a single constraint, but rather by the interaction of multiple system factors:

- Fragmented and sequential approvals processes.
- Misalignment between land-use planning and infrastructure planning.
- Limitations in developer contributions and cost-recovery frameworks.
- Economic regulatory settings that can defer or reduce growth-related expenditure.
- Environmental constraints.

Together, these factors increase the risk of a structural gap between housing demand and the timely delivery of enabling infrastructure. The reforms outlined earlier in this submission collectively are an important step in addressing the structural misalignment between planning, funding, and infrastructure delivery.

The Productivity Commission has a critical role in identifying and progressing these reforms. In doing so, it is essential that policy responses recognise water infrastructure as a core enabler of housing supply, rather than a downstream service that can be delivered after development decisions are made.

Without reform, the risk is that infrastructure continues to lag development, constraining housing supply, increasing costs for consumers, and reducing the efficiency of urban growth. With the right policy settings, however, the water sector can play a leading role in enabling sustainable, well-serviced communities and supporting Australia's long-term housing objectives.

Contact

WSAA welcomes the opportunity to discuss this submission further.

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