SUPPLEMENTARY SUBMISSION

National Water Reform 2026

Response to the Productivity Commission Interim Update on Water Services Reform Directions

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This supplementary submission responds to the Productivity Commission's (PC's) interim update on water services reform directions (June 2026). It builds directly on the original Aquanex submission of 28 April 2026. The recommendations below confirm and refine recommendations made in that submission. Recommendation numbering is retained from the April 2026 submission for continuity; Recommendation 9 is an additional recommendation responding to the interim update's information request on consumer-led planning, monitoring and evaluation tools. Responses are targeted to areas of direct expertise; not all information requests are addressed.

1. OVERVIEW

The interim update provides a substantive and well-grounded foundation for the final report. The reform directions on service delivery models, sustainable funding, consumer-led planning tools, nationally consistent reporting and the role of Commonwealth investment are directly relevant to the persistent service gaps experienced by remote and First Nations communities. This submission affirms and extends the original Aquanex submission in relation to each of these areas.

Five themes from the April 2026 submission bear directly on the interim directions and are addressed in turn:

- The structural case for a nationally defined basic level of service (BLOS), grounded in public health outcomes rather than administrative convenience.
- The insufficiency of a CAPEX-only funding model and the case for whole-of-life investment logic, including conditions for Commonwealth funding.
- Consumer-led planning, monitoring and evaluation tools: useful only if locally adapted and properly resourced.
- The national water quality transparency gap and why the communities most at risk remain least visible in reporting.
- First Nations self-determination: the preconditions for it to be substantive rather than procedural.

Consistent with the April 2026 submission, this response treats service reliability governance as the connecting reform logic across BLOS, funding, reporting, First Nations participation and delivery models.

2. BASIC LEVEL OF SERVICE: PUBLIC HEALTH FLOOR, NOT ADMINISTRATIVE THRESHOLD

The PC's interim direction on establishing a basic level of service (BLOS) is strongly supported. The Australian Government's December 2025 commitment to define a national BLOS with flexibility for local circumstances is an important policy signal. The critical implementation question is the policy basis for the BLOS.

The BLOS must be grounded in public health protection, not administrative convenience. A benchmark defined only by what is currently delivered — or what is easiest to fund — will embed the existing inequity rather than correct it. The BLOS should establish the minimum below which no community should fall, regardless of size, remoteness, tenure or jurisdictional threshold.

Based on practical experience across NT, QLD, SA and WA, a public-health-grounded BLOS should cover:

- safe drinking water quality, aligned to the Australian Drinking Water Guidelines;
- sufficient quantity for health, hygiene and liveability — quantity matters as well as quality;
- continuity of supply, including minimum storage and redundancy;
- emergency supply arrangements;
- wastewater containment and treatment to licence standards;
- public communication and incident notification; and
- culturally appropriate community engagement and transparent reporting.

The interim update notes that several jurisdictions still have no defined BLOS for self-supplied or homeland communities, five years after the 2020 PC inquiry recommendation. A national reform framework should not leave this to further jurisdictional discretion without a clear national expectation, a defined timeframe and a reporting obligation.

On homelands specifically: the closure of the Aboriginal Benefit Account Homelands Project in December 2024, without a confirmed national successor, created a concrete and current policy gap. The PC's final report should address this directly. A national BLOS that does not apply to homelands — where drinking water is overwhelmingly self-supplied from rainwater tanks or unregulated bores, rarely monitored, and sits outside Safe Drinking Water Acts — is a BLOS that does not reach the communities most at risk.

The interim update references the potential applicability of community service obligation (CSO) payment approaches to NT homelands and small-scale retailers in SA. This is a promising direction. CSO payments are more transparent and predictable than infrastructure grants and better align funding with the efficient cost of delivering an agreed service level. The critical design question for homelands is how to define the service baseline and the eligible cost base — both of which presuppose a defined BLOS.

One further dimension warrants inclusion in the BLOS concept: source security and demand management. In many remote communities, quantity and supply continuity depend not only on capital investment in treatment and distribution infrastructure, but on managing system losses and demand against finite or stressed water sources. In some NT communities, operational data indicate very high non-revenue water losses and household consumption well above commonly used demand benchmarks. At these levels, supply investment alone cannot sustain service reliability. A BLOS that addresses quality without addressing source sustainability and demand is incomplete. National reform should recognise demand management and source security as integral components of the service floor — not optional efficiency measures.

Recommendation 1 — National minimum level of service for all communities, including homelands

Establish a nationally agreed minimum level of service for drinking water and wastewater applicable to all communities — including discrete Aboriginal and Torres Strait Islander communities, homelands and self-supplied communities currently below jurisdictional thresholds — grounded in public health outcomes and covering quality, quantity, source security, demand management, continuity, redundancy, emergency response, wastewater containment and transparent reporting.

3. SUSTAINABLE FUNDING: WHOLE-OF-LIFE LOGIC, NOT CAPEX PRIMACY

The interim update identifies a structural tension in current funding arrangements: grant-based capital funding is the primary support mechanism, but it does not reliably address the operational and workforce conditions required for sustained service delivery. The PC's direction toward BLOS-aligned CSO payments is a step toward correcting this.

The April 2026 submission introduced the CAPEX/OPEX/PECS framing as a practical lens for whole-of-life investment:

- **CAPEX** — capital investment in infrastructure, treatment assets, monitoring systems and supporting works;
- **OPEX** — recurrent operating, maintenance, testing, compliance, technical support and asset management costs; and
- **PECS** — People, Education, Capacity and Skills needed to operate, maintain, monitor and govern services safely over time.

National funding frameworks consistently privilege CAPEX. OPEX and PECS are treated as secondary or discretionary. The practical consequence — well documented across remote water services — is that advanced treatment assets are installed without the sustained operating budgets and workforce capability required to keep them performing reliably. Operator burnout, compliance risk and service failure are then attributed to technical shortcomings when they are more accurately symptoms of chronic underinvestment in the operational and human foundations of service delivery.

The Kiwirrkurra case study, detailed in the April 2026 submission, illustrates this directly. A reverse osmosis plant was installed but not adequately optimised or operationally funded at commissioning. The subsequent water quality failure — elevated fluoride, nitrate and uranium, a do-not-drink notice, and the temporary closure of the local dialysis unit — was resolved through funded system optimisation coordinated by Water Corporation. The advisory was lifted in February 2026. Infrastructure was necessary but not sufficient. Funded operations, monitoring and technical support were the enabling conditions for a safe outcome.

A second Australian example reinforces the same point from a different angle. By 2016, many of the 31 drinking water schemes operated by Aboriginal and Torres Strait Islander Local Governments in Queensland were identified as posing significant public health risk — evidenced by poor regulatory compliance, prolonged boil-water alerts and ongoing operational failures. Enforcement action was available. Queensland Health recognised, however, that prosecution would do little to address the underlying causes in systems with limited resources and funding. The response was a deliberate pivot to partnership: the Safe and Healthy Drinking Water in Indigenous Local Government Areas Program (SHDWP), funded by Queensland Health and operational since 2017 across 17 First Nations local governments. The program built operator capability to understand the public health significance of their role, interpret monitoring signals and escalate when treatment was compromised. The outcome was documented improvement in water quality management and sustained relationships between Public Health Units and communities (Vanweydeveld 2022). This is PECS investment delivering measurable public health returns — and it required a health agency, not only a water agency, to drive it.

The practical implication for Commonwealth funding conditions: all infrastructure funding proposals for remote and First Nations water services should be required to demonstrate balanced funding across CAPEX, OPEX and PECS — before approval, not after handover. For remote and First Nations water projects, Commonwealth funding agreements should require a published service-risk rationale, clear BLOS alignment, whole-of-life cost estimates, confirmed responsibility for operations and maintenance, workforce and technical support arrangements, community engagement evidence, and post-commissioning performance reporting. This would align Commonwealth investment with sustained service outcomes rather than asset completion.

The interim update notes the potential of the Remote Jobs and Economic Development Program for essential services roles. Community water ranger programs — where local Indigenous workers are trained, employed and supported to operate and monitor water systems — represent precisely the PECS investment that is systematically underfunded. Aligning RJED-supported roles with infrastructure investment cycles would begin to address this structural gap.

On rolling investment horizons: the interim update acknowledges the limitations of short-term grant cycles. Rolling four-year investment programmes — updated annually with moderation points to address emerging risks and project readiness — would enable proper project formulation, approvals, community engagement, sequencing, procurement planning, and operator readiness before commissioning. This approach is consistent with emerging jurisdictional practice in staged prioritisation and rolling investment planning.

A critical design principle for investment governance: priority, readiness and sequencing are related but distinct concepts and conflating them is a common source of poor investment decisions. Priority refers to the relative importance of an investment based on health risk, service need and expected outcomes. Readiness refers to how well defined a project is — whether it has a validated problem statement, baseline data and a clear scope. Sequencing refers to when and how it should move within the forward programme. Current funding practice too often rewards what is easiest to fund — projects that are already well defined and low-risk to deliver — rather than what carries the greatest public health or service reliability risk. A defensible investment framework must keep these three concepts separate: high-priority needs should remain visible in the pipeline even when they require further formulation, and delivery-readiness should inform sequencing, not substitute for risk-based prioritisation. Commonwealth funding criteria should reflect this logic explicitly.

Recommendation 4 — Rolling four-year funding windows

Shift Commonwealth, state and territory funding from short-term grants to rolling four-year investment programmes for remote and First Nations water services, with six-monthly or annual review points. Link funding windows to transparent prioritisation, project readiness and service risk.

Recommendation 5 — Dedicated Stage 0 funding

Create dedicated seed funding for project formulation — defining problems, investigating root causes, developing options, engaging communities and preparing investment-ready proposals — before capital programmes are committed.

Recommendation 6 — Whole-of-life funding for capital, operations and people (CAPEX/OPEX/PECS)

Require all infrastructure proposals to demonstrate balanced funding across capital investment, operations, and the people, education, capacity and skills (PECS) needed to operate and sustain the asset — including funded O&M, operator capability, culturally appropriate workforce development, maintenance arrangements, digital monitoring and handover readiness — before approval. Apply this as a binding condition on Commonwealth funding agreements.

4. CONSUMER-LED PLANNING TOOLS: USEFUL ONLY IF LOCALLY ADAPTED AND RESOURCED

The interim update's consideration of standardised tools for consumer-led planning, monitoring and evaluation is supported, provided these tools are not treated as a substitute for sustained engagement, local governance or technical support.

Standardised tools can help create a common evidence base across jurisdictions, particularly where small or remote service providers lack the resources to design their own engagement and monitoring frameworks. They could support consistent collection of information on household water insecurity, service reliability, water quality concerns, communication effectiveness, affordability, emergency arrangements and user experience.

However, the value of these tools depends on how they are designed and used. In remote and First Nations communities, standardisation should sit beneath local adaptation. Tools must be culturally appropriate, place-based and co-designed with communities. They should not reduce community participation to survey completion or one-off consultation.

The Queensland SHDWP experience is instructive here: the program's effectiveness depended not on a standardised tool but on building operator capability to interpret and act on monitoring data. Tools are only as useful as the people and systems behind them.

The key implementation principle is that community-generated information should influence decisions. This requires a clear pathway from local evidence to service planning, funding prioritisation, reporting and accountability. Without that pathway, consumer-led tools risk becoming another reporting burden rather than a mechanism for reform.

There is a deeper structural point here that applies to First Nations governance as well as consumer planning. The reason First Nations governance in water services has remained weak is not primarily a funding problem or a will problem — it is in large part a data and evidence problem. Communities and organisations that cannot systematically generate and interpret their own water data cannot build the evidence base needed to influence planning decisions, challenge poor service outcomes, or demonstrate governance capability over time. National reform should fund the full monitoring-to-governance pipeline: not only governance structures, but the data systems, technical capability and analytical support that allow local evidence to accumulate into governance influence. This reframes consumer-led planning tools from a service improvement mechanism into a governance foundation.

A national approach should therefore:

- establish a core set of service experience indicators while allowing local adaptation;
- fund community participation, facilitation and interpretation, not only tool development;
- ensure outputs are visible to communities and used in funding and service planning decisions;
- align with Indigenous data sovereignty and Indigenous data governance principles; and
- avoid imposing unfunded reporting obligations on small providers or community-controlled organisations.

Recommendation 9 — Consumer-led planning, monitoring and evaluation tools

Develop nationally supported but locally adaptable tools for consumer-led planning, monitoring and evaluation of remote and First Nations water services. Tools should be co-designed, culturally appropriate, resourced for ongoing use, aligned with Indigenous data governance principles, and linked directly to service planning, funding prioritisation and public accountability.

5. NATIONAL WATER QUALITY TRANSPARENCY: THE REPORTING GAP IS THE EQUITY GAP

The interim update's reform direction on nationally consistent reporting on drinking water quality is strongly supported. The PC's finding that further development is required to centralise reporting of drinking water quality indicators is accurate, and the broad participant support for greater transparency reflects a genuine and long-standing gap.

The April 2026 submission identified why this gap is not only a data problem — it is an equity and public health accountability problem. The communities most exposed to water quality risk are precisely those least visible in national reporting. Every discrete First Nations community in Australia sits well below the 10,000 connected property threshold of the Bureau of Meteorology's expanded reporting framework. The new sub-10,000 reporting indicator set is a welcome development; it does not yet resolve the transparency gap.

What is currently missing from the sub-10,000 indicator set is the data that matters most for public health accountability: drinking water quality compliance results against guideline values, health-based exceedances, monitoring gaps, boil-water alerts, do-not-drink notices, public health notifications and corrective action status. Without these indicators, national reporting provides an incomplete and potentially misleading picture of performance.

The interim update cites Power and Water Corporation's annual reports as a benchmark for good practice. This is a valid observation. But NT reports to this standard because Power and Water Corporation is the regulated utility provider. In most homelands, and in many discrete communities across other jurisdictions, there is no equivalent regulated provider, no equivalent reporting obligation and no equivalent public health visibility. The reform question is therefore not only how to improve the format and consistency of existing reports — it is how to extend the obligation to report to settings where it currently does not apply.

The interim update notes the role of the Water Justice Hub in filling a non-government collation gap. This is a useful initiative but not a substitute for a government-led national transparency framework. Public accountability for drinking water quality should not depend on non-government organisations filling the gap left by absent regulatory requirements.

A national water quality transparency framework should:

- cover all service providers regardless of size, tenure or jurisdiction;
- include drinking water quality compliance results, health-based exceedances, monitoring gaps, boil-water alerts, do-not-drink notices, public health notifications and corrective action status;
- be designed to support service improvement rather than punitive compliance; and
- be accessible to communities in culturally appropriate formats — not only in formats designed for technical audiences.

Recommendation 2 — National water quality transparency framework

Require nationally consistent and publicly accessible water quality reporting for all service providers, regardless of size. Reporting should cover compliance results, monitoring gaps, boil-water alerts and public health notifications, and be culturally appropriate and accessible.

Recommendation 3 — Strengthen small-provider national reporting

Strengthen the Bureau of Meteorology's new sub-10,000 connected properties reporting framework to include drinking water quality results, health-based exceedances, monitoring gaps, boil-water alerts, do-not-drink notices, public health notifications and corrective action status. Support Australia's SDG 6 and Closing the Gap Target 9b reporting obligations.

6. FIRST NATIONS SELF-DETERMINATION: PRIORITIES AND PRECONDITIONS

The interim update seeks feedback on whether the priorities summarised in Figure 2 appropriately reflect the views of community-controlled organisations, peak bodies and other Aboriginal and Torres Strait Islander stakeholders. The following response draws on advisory experience across four jurisdictions.

The priorities identified — legislative recognition, economic regulation for basic service adequacy, free prior and informed consent, capacity-building and training, Indigenous data sovereignty, and a universal service obligation — are well grounded and broadly accurate. Two observations are offered to strengthen the PC's framing.

A. ENABLING CONDITIONS MATTER AS MUCH AS THE PRIORITIES THEMSELVES

The listed priorities describe outcomes communities and organisations want to achieve. Less explicit in the interim update is that these outcomes require enabling conditions: sustained funding, long enough engagement timeframes, data systems that generate usable evidence, and governance arrangements that allow decision-making influence to accumulate over time.

Effective First Nations governance in water services depends on a clear logic chain: monitoring generates evidence, evidence supports decision-making, and structured decision-making over time builds governance influence and capability. National reform should enable this progression. Short engagement cycles, fragmented funding and data sovereignty gaps interrupt it.

The practical implication is that self-determination in water governance is built through:

- long enough funding horizons for organisations to plan strategically, invest in operational capability and innovate;
- resourcing for ongoing participation — not only one-off consultation during project design;
- community roles in data interpretation, service planning, water quality communication and performance review; and
- staged pathways toward community-led water authorities where Traditional Owner organisations choose to pursue them.

B. COMMUNITY-CONTROLLED DELIVERY AND PATHWAYS TO WATER AUTHORITIES

The interim update references Aboriginal and Torres Strait Islander community-controlled organisations as lead organisations or partners in water service delivery, and notes the Atlantic First Nations Water Authority (AFNWA) in Canada as an example of First Nations-led governance at scale.

The AFNWA is offered in the April 2026 submission not as a model to import but as evidence that genuine First Nations-led water governance is achievable when sequencing, funding, governance and capability are designed deliberately and supported over time. Australia's reform framework should provide architecture to enable comparable, locally grounded pathways where Traditional Owner organisations choose to pursue them.

The preconditions for such pathways are the same enabling conditions this submission advocates more broadly: a defined service baseline (BLOS), transparent reporting obligations, sustainable long-term funding, workforce development, and a clear regulatory framework. Self-determination in water governance is not a separate agenda — it depends on the same foundations.

Recommendation 7 — First Nations co-governance and pathways to community-led water authorities

Embed formal First Nations participation in governance, prioritisation, data interpretation and service design across all national water reform programmes and funding mechanisms. Where Traditional Owner organisations choose to pursue them, enable and support staged pathways toward First Nations-led water authorities, drawing on international precedents such as the Atlantic First Nations Water Authority in Canada.

7. SERVICE DELIVERY MODELS: CONSISTENT OUTCOMES, FLEXIBLE DELIVERY

The interim update's reform direction on service delivery models acknowledges that increasing scale can improve collective capacity, while recognising that delivery arrangements in Aboriginal and Torres Strait Islander communities involve complex governance arrangements.

The April 2026 submission introduced the principle of consistent outcomes, flexible delivery: define the national outcomes every community should receive, while allowing jurisdictions to design delivery models that reflect geography, governance, culture and operational reality. The enabling factors identified in the interim update — fit-for-purpose technology, capacity-building and ongoing support for local operators, cultural competency, cross-agency collaboration, and broadened funding criteria and timeframes — are consistent with this principle and are supported.

One addition is warranted. The enabling factors do not explicitly address independent technical support and quality assurance for small remote systems. Many small systems do not have — and cannot sustain — in-house expertise for treatment system troubleshooting, water quality interpretation or compliance management. The Queensland SHDWP demonstrates that health agencies can play an active technical support and co-regulatory role alongside water agencies — a model worth explicit consideration in the PC's final report. Regional or state-level technical support functions more broadly are an important delivery model element the final report should address.

Recommendation 8 — Consistent outcomes, flexible delivery

Set national expectations for outcomes and transparency while allowing flexible jurisdictional delivery models suited to local context, including explicit provision for independent technical support functions for small and remote systems that cannot sustain in-house expertise.

8. CONCLUSION

The PC's interim update reflects a clear and well-grounded understanding of the structural barriers facing remote and First Nations water services. The reform directions on BLOS, sustainable funding, consumer-led planning, national reporting and Commonwealth investment are directly aligned with the priorities identified in the April 2026 submission.

The supplementary observations in this response are intended to strengthen the implementation logic of the final report, particularly in three areas:

- **BLOS grounding:** converting the BLOS concept into a public-health-grounded national service floor that applies to all communities, including homelands and self-supplied communities.
- **Whole-of-life funding:** linking Commonwealth and jurisdictional investment to whole-of-life funding — including operations, workforce capability, monitoring and technical support — as a binding funding condition, not a principle.
- **Reporting transparency:** closing the national transparency gap through consistent, public and culturally accessible reporting on drinking water quality and service outcomes, including the indicators that matter most for public health accountability.

These reforms are practical, evidence-based and deliverable within existing intergovernmental architecture. The final report provides an opportunity to move from recognising these gaps to building the practical architecture needed to close them.

REFERENCES

- Productivity Commission 2026, National Water Reform 2026: Water services reform directions — Interim update.
- Vanweydeveld, E. 2022, Closing the Water for People and Communities Gap, Water Services Association of Australia.
- Additional references are as listed in the April 2026 Aquanex submission to this inquiry

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