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9 July 2026

The Productivity Commission (National Water Reform Inquiry)
GPO Box 1428
CANBERRA QCT 2601

Via: Submission Portal

Dear Commissioners

National Water Reform 2026 – Interim Update 1

The Far North Queensland Regional Organisation of Councils (FNQROC) represents 12 member councils being Cairns, Cassowary and Tablelands Regional Council, Cook, Croydon, Douglas, Etheridge, Hinchinbrook and Mareeba Shire Councils and Hope Vale, Yarrabah and Wujal Wujal Aboriginal Shire Councils. These councils cover more than 252,000 square kilometres and serve a population of over 296,000.

To put our region in perspective, we are larger than Victoria and have 12 urban water entities (Local Governments) compared to Victoria's 15. Our region's vastness, geographical diversity coupled with aging infrastructure and rapid population growth presents unique challenges in managing and delivering water and wastewater services with existing systems under significant pressure.

Thank you for the opportunity to provide feedback on the Interim Update 1. Below you will find feedback on the issues and questions raised in the paper which are most pertinent to our region and member councils.

Information Request 1 – Improve accountability for pricing trade-offs

Affordability as a social equity objective

Water should be defined as a social equity objective ensuring not only that water pricing is affordable but accessible as an essential service for all. Cost-reflective pricing promotes efficiency and supports investment however; it does not adequately consider affordability impacts. Every household should be able to afford water necessary for health and wellbeing. Recognising that in regional and remote communities, councils provide water services below their full cost, not as a discretionary measure, but because many residents could not afford full cost pricing. Consequently, the gap between the cost-of-service delivery and revenue is subsidised from councils' general revenue, placing additional pressure on already limited local government resources. In effect, councils are delivering a Community Service Obligation (CSOs) by providing water services at prices their community can afford rather than at full cost. It would therefore be appropriate for rural and remote councils to receive compensation for delivering this essential public service.

Recommendations:

- National water policy should explicitly recognise that full cost-reflective pricing is not always achievable in regional and remote communities without creating unacceptable affordability impacts. Where councils maintain affordable pricing for essential water services, governments should recognise this as a Community Service Obligation and provide ongoing compensation to ensure the financial sustainability of local government and the communities they serve.

Enabling timely investment in large, long-term assets

Dams are fundamentally different from most other infrastructure assets, with recommended design lives of between 100 - 150 years, they require substantial upfront investment, longer delivery timeframes and often decades before their full economic, social and regional development benefits are realised. Despite these characteristics, dams are generally assessed using the same cost-benefit frameworks applied to shorter-lived infrastructure. These frameworks typically evaluate costs and benefits over a 30 to 50-year period and discount future benefits to present day values. As a result, infrastructure with long-term and intergenerational benefits are disadvantaged.

Many of the significant benefits of dams, including water security, regional growth, agricultural expansion and transformative land-use, occur beyond conventional appraisal periods and asset methodologies have not evolved to adequately account for the unique characteristics of long-life water infrastructure. Greater consideration should be given to evidence from dams established 50 plus years ago to ensure nationally significant water infrastructure is not systematically undervalued.

In addition, a strict 'user pays' approach to recovering capital and operational costs may overlook the broader public and economic benefits generated by bulk water infrastructure (such as transport and manufacturing industries, resilience to disasters), placing the burden of cost recovery solely on the irrigators who directly use the water, rather than recognising the wider group of beneficiaries.

Recommendations:

- Reform investment assessment frameworks for long-life water infrastructure. The National Water Reform Framework should require assessment methodologies for major water infrastructure to recognise the unique characteristics of long-life assets. Such as:
 - Evaluate benefits over an asset's functional life rather than relying predominately on 30–50-year assessment horizons
 - Recognise water infrastructure as enabling infrastructure - explicitly assess long-term regional productivity and resilience outcomes, with the indicators coming from the benefits of existing long-term dams such as:
 - Future industries
 - Future land use
 - Future markets
 - Private sector investment catalysed by water security
- Adopt a place-based investment approach. Assessment frameworks should recognise that the value of major water infrastructure differs between metropolitan and regional Australia. Investment decisions should consider:
 - Regional equity

- Development potential
- Strategic economic importance
- Food production
- National resilience.

For further background please follow this link to the 2021 FNQ Study – [Long Term Analysis of the Role of Dams](#)

Information Request 2 – Support more integrated planning, charging and regulation

The National Water Initiative needs to recognise that rural, remote and indigenous communities operate under fundamentally different circumstances to metropolitan water utilities.

Recommendation:

- The National Water Reform should adopt a differentiated policy framework for rural, remote and Aboriginal and Torres Strait Islander communities that recognises affordability, small customer bases, geographic isolation and community wellbeing as legitimate considerations in economic regulation, pricing and investment decisions.

Reduce regulatory burden

The current regulatory focus in relation to both known and emerging contaminants is on councils as passive-receivers, driving up both capital and operational costs in an increasingly complex regulatory environment.

Recommendation:

- Scale and risk appropriate regulation of Water Service Providers (WSPs) as opposed to one size fits all.

Information request 4 – Service delivery in regional and remote areas

The current Queensland Water Alliance Program (QWRAP) is a partnership between the Queensland Government, Queensland Water Directorate, Local Government Association Queensland and local councils. Nine QWRAP regions work together to initiate projects to address service challenges due to their remoteness and/or size. This highly successful collaborative program enables delivery of projects that focus on building capacity, capability and improving systems and processes. A significant initiative for the Far North Queensland Water Alliance supported by QWRAP was the development of the FNQ Regional Water Capability Plan, a comprehensive, long-term plan designed to address the regional capability and capacity challenge. With 11 initiatives and 55 actions to be delivered over the next decade, the next phase requires sustained investment to translate regional strategies into practical outcomes, demonstrating the importance of long-term support for collaborative regional delivery models.

Please follow this link to the [FNQ Regional Water Capability Plan](#)

Regional collaboration builds capability and achieves outcomes that individual councils, particularly small and remote councils, cannot achieve alone.

Recommendations:

- National Water Reform should support and invest in regional water collaboration models that build the capability and capacity of small, regional and remote water service providers.

Information request 5 – Sustainable funding for service improvements in small towns and communities.**Basic Level of Service (BLOS)**

The establishment of a basic level of service (BLOS) would make it clear where government support is required. Services linked to safe and reliable drinking water, consistent with the Australian Drinking Water Guidelines is a good starting point.

Community Service Obligations (CSO)

The introduction of CSO payments in lieu of traditional grant funding where full-cost recovery is not feasible while maintaining the agreed BLOS has the potential to provide a more transparent and sustainable funding model. However, its success will depend on how key concepts such as affordability and eligibility are defined. As with any reform, the effectiveness of the model will lie in the detail of its design and implementation.

Recommendations:

- Develop a nationally consistent Community Service Obligation (CSO) framework that provides ongoing compensation to water service providers delivering essential services below full cost recovery to maintain affordability. The framework should clearly define affordability, Basic Level of Service (BLOS), eligibility criteria and funding responsibilities to ensure rural, remote and Aboriginal and Torres Strait Islander communities are not disadvantaged.

National Water Reform presents an important opportunity to create a framework that balances economic efficiency with affordability, resilience and regional equity. FNQROC appreciates the opportunity to provide this submission and would welcome the opportunity to discuss our recommendations further as the review progresses, ensuring the final framework delivers practical, equitable and sustainable outcomes for all Australian communities.

Should you have any further queries please do not hesitate to contact myself, or Ms Amanda Hancock

Yours sincerely

Darlene Irvine
Executive Officer