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Productivity Commission

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Dear Commissioner,

RE: National Water Reform 2026 Urban and Regional Water Services Interim Update – Stormwater 2030 Response

Stormwater 2030 welcomes the Productivity Commission's (PC) June 2026 Interim Update. We strongly endorse the Commission's explicit recognition that stormwater services are severely hampered by fragmented responsibilities, unclear accountability, and institutional funding gaps that make cost recovery and coordinated investment exceptionally difficult relative to water and wastewater services.

The Interim Update correctly diagnoses the core structural failures confronting the sector. For too long, stormwater has been treated as the "forgotten sibling" of urban water utilities, resulting in what our peak industry research identifies as a "system in crisis" defined by severe "asset ignorance" and a multi-generational infrastructure backlog.

As an organisation focused on environmental and community needs, actively interacting with industry to achieve its goals, Stormwater 2030 provides the following targeted responses to the Commission's specific Information Requests to ensure these insights are translated into actionable, systemic mandates within the final National Water Agreement (NWA).

1. Response to Information Request 1: Improving Accountability for Pricing Trade-offs

Respective Roles and the Governance Vacuum

The Commission notes that blurred governance roles weaken accountability and obscure the long-term systemic risks accepted when prices are artificially suppressed. Stormwater 2030 has highlighted that in New South Wales alone, urban waterway management is scattered across 14 Ministers, over 30 agencies, and more than 50 legislative instruments. This fragmentation ensures that no single entity is responsible for the performance or financial resilience of stormwater catchments.



Our Position: A refreshed National Water Initiative (NWI) must mandate that states establish a single, legally empowered "Lead Agency," such as within state EPAs or dedicated water departments, to standardise stormwater policy, compliance, and asset management across the full lifecycle. Furthermore, this must be integrated with a national coordination agenda to drive consistent cross-jurisdictional reform, ensuring state-level implementation aligns seamlessly with federal policy and funding priorities.

The Broken Funding Paradigm and IPART Special Rate Variations (SRVs)

The Interim Update explicitly warns that suppressing utility bills in the short term delays critical asset renewal and creates severe intergenerational inequities and higher future costs. The stormwater sector provides a stark validation of this warning.

In NSW, the primary funding mechanism, the stormwater management services charge, has been rigidly capped at \$25 per property since 2006 without any indexation. This fixed cap bears no relation to the actual lifecycle costs of modern asset management or climate adaptation.

Systemic Failure Case Study: Because the baseline funding model is structurally broken, local governments are forced into emergency, high-cost reactive repairs, which cost 5 to 10 times more than proactive maintenance. To plug these systemic deficits, councils are routinely driven to apply to the Independent Pricing and Regulatory Tribunal (IPART) for complex, politically unpopular Special Rate Variations (SRVs) simply to clear multi-million dollar infrastructure backlogs (such as North Sydney Council's \$157 million deficit).

Our Recommendation: The NWA must mandate that independent economic regulators (like IPART, ESC, and QCA) be decoupled from political mandates and tasked with uncapping and indexing stormwater levies to reflect true lifecycle costs. Furthermore, we call for a federally backed **National Asset Renewal Fund** to co-fund the clearance of the legacy backlog, conditional on councils transitioning away from "asset ignorance".

2. Response to Information Request 2: Supporting Integrated Planning, Charging, and Regulation

Precinct-Scale Planning and New Demand Drivers

The Commission correctly identifies that fragmented institutional planning prevents precinct-scale deployment of distributed water sources, stormwater harvesting, and nature-based solutions. Current regulatory settings systematically favor heavy capital expenditure (concrete "pit-and-pipe" renewals) over smarter operational expenditures, such as green infrastructure and localised water efficiency.



This challenge is severely amplified by the rapid growth of highly water-intensive industries, such as data centres, which are placing sudden, unprecedented demands on urban water security without early alignment with infrastructure sequencing.

Our Recommendation: Stormwater planning must be integrated into the earliest stages of structure and precinct planning. Funding must explicitly prioritise **Blue-Green Infrastructure (BGI)** and permeable pavement strategies. This drastically reduces the carbon footprint of urban water services compared to traditional concrete infrastructure, aligning stormwater directly with national net zero targets.

Cost-Reflective Developer Charges vs. Cross-Subsidies

Stormwater 2030 strongly echoes the Commission's analysis of the systemic damage caused by capping or zero-capping developer charges. As seen historically in NSW and via capped trunk infrastructure charges in Queensland, suppressing developer contributions does not lower final housing costs. Instead, it generates non-transparent cross-subsidies that shift the financial burden of growth onto existing ratepayers, starving local councils of the capital needed to maintain baseline catchment safety.

Our Recommendation: Jurisdictions must firmly recommit to cost-reflective developer charges as outlined in the NWI Pricing Principles. Frameworks must ensure that developers creating additional peak runoff volumes directly internalise the cost of downstream stormwater mitigation infrastructure.

3. Structural Reform: Designing a National Stormwater Management Framework

The Commission's interim update correctly diagnoses that fragmented arrangements force the development industry, manufacturers, and local governments to constantly navigate conflicting local rules, mismatched council development checklists, and inconsistent Development Control Plans (DCPs). Product verification and asset maintenance, however, are not the only pieces of the puzzle. To achieve true productivity gains and structural resilience, the sector requires a holistic, cradle-to-grave framework.

Stormwater 2030 calls on the Federal Government, in conjunction with the States and Territories, to develop a comprehensive National Stormwater Management Framework that establishes standard guidelines across the entire asset lifecycle, underpinned by standardised technical manuals.



A standardised national framework must formalise best practices across four distinct operational phases, leveraging existing national and international tools to ensure nationwide consistency:

Phase 1: Planning and Lifecycle Design

To eliminate the current dynamic where assets are built without regard for long-term viability, a national framework must mandate strict engineering alignment at the concept stage.

- **Hydrological Standardisation:** Design principles must formally mandate the use of Australian Rainfall and Runoff (ARR) for flood modeling and climate-resilient capacity planning.
- **Water Quality Standardisation:** Catchment impact assessments must utilise standardised tools such as MUSIC (Model for Urban Stormwater Improvement Conceptualisation), cross-referenced with a unified National Water Quality Manual, to establish legally binding pollutant reduction targets.
- **Lifecycle Costing:** All proposed infrastructure must be evaluated using the Lifecycle Costing, Safety, Constructability, and Maintenance (LSCM) protocol to ensure councils have realistic, long-term operational budget forecasts before an asset is approved.

Phase 2: Product Verification and Procurement Compliance

A unified framework must close the loophole that allows unverified, underperforming proprietary devices to cross borders and enter local markets.

- **Mandated Verification:** The Stormwater Quality Improvement Device Evaluation Protocol (SQIDEP) must be adopted as the sole national standard for verifying proprietary stormwater technologies.
- **Global Alignment:** SQIDEP must be aligned with world-recognised evaluation frameworks (such as Washington State's TAPE protocol or international ETV standards) to encourage private-sector innovation and ensure cost-reflective technology procurement.

Phase 3: Construction, Handover, and Digital Asset Registries

The historical "asset ignorance" crisis begins at the point of civil construction handover, where missing handovers result in undocumented "orphan assets".

- **Contractor Accreditation:** The framework must establish a formal "Blue Card" certification programme for civil contractors to ensure that complex distributed water systems are constructed to plan, free of initial defects.
- **Mandatory Digital Enrolment:** Handover protocols must legally compel developers to supply digital asset data directly into standardised state registries, ensuring no asset is buried without a clear owner, documented value, or maintenance schedule.



Phase 4: Standardized Inspection and Maintenance Compliance

CSIRO research indicates that the average operational functionality of Gross Pollutant Traps (GPTs) across Australia has collapsed to just 32% due to a lack of routine inspection and resources.

- **Nationalising the "Yellow Book":** The framework should adopt the *Guidelines for the Maintenance of Stormwater Treatment Measures* (the "Yellow Book") as the uniform national operations manual, fully digitising it into a web-based portal to guide council asset teams and private contractors.
- **Workforce Professionalisation:** Maintenance inspectors and operators must be certified through an accredited "Yellow Card" qualification pathway managed in partnership with national training bodies like BuildSkills Australia or IPWEA.
- **Predictive Technology Rollouts:** To move away from high-cost emergency capital replacements, federal funding should co-fund large-scale Internet of Things (IoT) sensor trials on high-risk nodes, allowing regional and urban councils to pivot to efficient, predictive maintenance schedules through localised digital twins.

A Dynamic Platform: Mapping Gaps Beyond Our Current Toolkit

It is critical to acknowledge that the manuals, software, and evaluation metrics listed above represent only our current foundational toolkit. They are the starting baseline, not the final destination.

The immediate forward priority under a renewed National Water Initiative must be for the Federal Government, Lead Agencies, and industry cross-sector working groups to rigorously map out the systemic gaps in our current engineering and regulatory toolkits.

We must explicitly design a living framework that builds next-generation tools to address emerging blind spots, including:

- **Climate Uncertainty Buffers:** Updating legacy ARR assumptions to dynamically model hyper-local flash flooding and urban heat islands rather than relying solely on static historical records.
- **Proprietary Innovation Tracks:** Evolving protocols like SQIDEP to evaluate emerging biological, chemical, and circular economy innovations that go beyond traditional baseline physical filtration.
- **Regional & Asset Scaling Frameworks:** Developing highly simplified, low-cost inspection toolkits specifically tailored for under-resourced regional councils facing vast spatial catchments.

By establishing this complete asset lifecycle framework, and committing to systematically auditing and mapping the technical gaps within our current toolkit, Australia can unlock billions



in long-term savings, eliminate asset ignorance, and secure the resilience of our urban catchments.

4. Response to Information Requests 4 & 5: Service Delivery and Sustainable Funding in Regional and Remote Areas

The Regional Stormwater Operational Deficit

While the Commission's Interim Update focuses heavily on regional drinking water and wastewater frameworks, the structural funding barriers identified are equally catastrophic for regional stormwater management. Local water utilities and regional councils face vast spatial catchments alongside low customer density.

Because state stormwater charges have remained rigidly capped at \$25 since 2006 without indexation, regional local governments cannot generate sufficient baseline revenue to maintain distributed water systems. This has forced regional councils, such as MidCoast, Richmond Valley, and Wagga Wagga, into severe infrastructure backlogs and structural operational deficits.

Integrating Stormwater into Basic Level of Service (BLOS) and CSO Frameworks

Our Position on BLOS (Information Request 5): Stormwater 2030 strongly advocates that any nationally or jurisdictionally defined **Basic Level of Service (BLOS)** must expand beyond drinking water to include baseline catchment safety and urban flood resilience indicators. A community cannot be considered to have a safe built environment if legacy stormwater networks are left underfunded, undersized, and overwhelmed by intense rainfall events.

Our Position on CSOs: Where full cost recovery is unfeasible due to regional population constraints, state and territory governments must transition away from unpredictable, project-based infrastructure capital grants. Instead, governments should utilize predictable **Community Service Obligation (CSO)** payments to co-fund the ongoing operations, predictive technological monitoring, and preventative maintenance of regional stormwater networks. This targeted approach will ensure that regional and remote communities do not suffer from systematically lower service standards or higher flood vulnerabilities.

5. Response to Information Requests 6 & 7: National Reporting, Catchment Literacy, and Data Sovereignty

Centralizing Urban Waterway Health Data through Digital Twins and National Standards

The Commission asks whether legislative change is required to enforce national data consistency under a unified water transparency framework. Stormwater 2030 strongly endorses legislative mandates to eliminate data blind spots and drive cross-jurisdictional efficiency. Just as drinking water requires open-access reporting, urban receiving waters and catchment health data must be centralized to end the state of asset ignorance.

To build a modern, climate-resilient water services sector, federal and state funding must be directed toward the creation of shared digital ecosystems, utilising IoT sensor networks and catchment-scale digital twins. However, a technology rollout is only as effective as the data driving it. We call for the immediate establishment of National Stormwater Data Standards to ensure that as these digital twins are developed, they utilise a unified data architecture across all local government boundaries.

Our Recommendation: National reporting and data standards should require councils to publicly report standardized asset condition data into a shared digital twin infrastructure, rather than allowing asset registers to contain blank fields or completely overlook orphan assets. Breaking down these data silos will vastly improve cross-agency efficiency, streamline data sharing, and enable the federal government to accurately prioritise stormwater resilience allocations to the catchments facing the highest physical risks.

First Nations Co-Design and Closing the Gap (Information Request 6)

The 2024 NWI assessment identified a critical lack of recognition for First Nations water interests. Current fragmented stormwater arrangements continue to present a severe barrier to holistic, culturally appropriate waterway management.

Our Position: A renewed NWA must explicitly mandate that precinct-scale planning, catchment-level alignment programs, and Blue-Green Infrastructure (BGI) developments are co-designed directly with Traditional Owners. This approach respects cultural responsibilities for water, protects catchment health, and supports Indigenous data governance, aligning directly with commitments under the National Agreement on Closing the Gap.



6. Response to Information Request 8: Optimizing Australian Government Investment Frameworks

Leveraging the National Water Grid and Green Treasury Bonds

The Commission explicitly requests feedback on how the Commonwealth can improve governance arrangements and "crowd in" additional capital for secure, resilient water systems.

Our Recommendation on Funding Conditions: The Australian Government must update the National Water Grid Investment Framework to make funding conditional on long-term sustainability checks. Federal capital funding for major urban or housing-enabling infrastructure must only be released if the receiving jurisdiction provides a binding commitment to uncap local operational levies, ensuring states and councils can fully fund ongoing asset maintenance over the entire lifecycle.

Our Recommendation on Capital Procurement: The Federal Government should expand the formal eligibility criteria of the **Green Treasury Bonds** program to explicitly include large-scale urban stormwater harvesting, circular economy water reuse networks, and distributed blue-green infrastructure projects. By unlocking access to sovereign green capital, the Commonwealth can accelerate municipal transitions to net zero, lower the energy-intensive demand placed on desalination plants, and de-risk Australian communities from climate-driven flash flooding.

4. Conclusion

The stormwater sector is currently the frontline defense against the compounding threats of urban densification and intense, climate-driven flash flooding. Allowing it to remain fractured, underfunded, and data-deficient actively threatens the liveability and insurability of Australian communities.

Stormwater 2030 congratulates the Productivity Commission on its incisive Interim Update. We urge the Commission to solidify these interim findings into structural mandates in the final September 2026 report. By enforcing lead agency accountability, independent cost-reflective pricing, and standardized technical asset evaluation, Australian governments can transition the sector from a system in crisis into a world-class model of urban climate resilience.

We would welcome the opportunity to appear before the Commission or provide further technical data from the SQID Taskforce review during this formal consultation period.



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

Regards

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Chairperson

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