

10 July 2026



Ms Joanne Chong  
Commissioner  
Productivity Commission  
Level 8, Two Melbourne Quarter  
697 Collins Street  
Docklands. VIC 3008

Via: [Online Submission](#)

Dear Ms Chong

***Re: National Water Reform 2026: Water Services Reform Directions, Interim Update***

The Queensland Water Directorate (**qldwater**) welcomes the opportunity to provide comment to the Productivity Commission on the Water Services Reform Directions, Interim Update.

**qldwater** is the central advisory and advocacy body for Queensland's urban water service providers (WSPs), working with members to support the delivery of safe, secure and sustainable urban water (drinking water and sewerage) services. We are grateful to the Commission for the time it took to meet with our members and ourselves and, for the consideration of **qldwater's** submission (dated 24 April) on the 2026 National Water Reform Inquiry.

This *Interim Update* sets out the Productivity Commission's *interim* reform directions for Australia's water services industry focusing on policy and regulatory settings that could support secure, resilient and sustainable water services. It considers reform directions for urban centres, regional and remote areas and national issues in water service delivery.

We commend the scope and discussion captured by the *Interim Update* as it accurately addresses concerns raised.

We provide this submission without prejudice to any correspondence from our members or other urban water service providers.

***Key Issues***

It is the Directorate's firm view that everyone should have access to secure, resilient and sustainable water services (as per United Nations Sustainable Development Goal 6). This is not the situation across some regional and remote areas of Queensland where the secure access to safe drinking water by communities does not exist.

While economically efficient water services delivery helps achieve secure, resilient and sustainable outcomes by making the best use of scarce resources; regional and remote areas of Queensland have current arrangements that make this impossible for small water service providers.

The cost of providing secure and resilient water services is significantly increasing due to climate impacts (Queensland is the most climate-impacted state by far), growing demand (from increasing population and housing, and new commercial and industrial growth), more stringent health and environmental requirements, more governance and liability, and higher financing costs. These challenges are the same across Queensland for Water Service Providers (WSPs) regardless of location and size of area served.

The Directorate supports pricing transparency for the education and wellbeing of customers and as a tool for appropriate investment and innovation across parts of the sector. The ongoing financial sustainability of WSPs (large and medium sized) should be the primary focus of any pricing oversight or pricing review as, if done correctly, this will be in the long-term interest of customers.

A recent pricing review by the Queensland Competition Authority of Urban Utilities and Unity Water has incorrectly focused on (price increases) water bills in a misguided response to broader cost-of-living concerns. This approach resulted in undue media and political attention on the sector and will not address any of the complex challenges faced by the sector nor provide any long-term benefit to customers. The current models of economic regulation and pricing oversight are also highly inappropriate for small regional and remote communities who will never achieve cost-reflective water pricing.

The Directorate welcomes the Commissions reference to the inadequacy of funding for Queensland's (and New South Wales) regional and remote Water Service Providers (WSPs). The competitive funding framework that has operated in Queensland since 2009 has been an abomination for those who need it the most. Funding of critical service delivery and maintenance of essential infrastructure should have primacy and assurance.

The Directorate supports the design and application of a Community Service Obligation (CSO) to provide certainty and transparency to smaller WSPs, allowing them to strategically plan (water) service delivery for their communities.

The concept of a CSO for urban water services in Queensland is not new and there has been no progress in its investigation or design for two-decades. Indeed, the NSW Government is finding a range of challenges in its CSO-design work. Notwithstanding, that the design of an appropriate Queensland CSO model will be complex, work must commence immediately.

To support the CSO model, a robust economic regulator, able to test the costings externally (independent) to the proponents will also be needed. Councils would need to produce an economic case for testing by the economic regulator and then that would enable the setting of the CSO payment. Once the submission was approved then the State would make the CSO payment. The Directorate notes that Councils will need resources and support to prepare their economic regulator submission, particularly early in the scheme.

The process associated with Sydney Water and Melbourne Water pricing determinations show how this approach can work and whilst it is not perfect, the approach is better than the current review services offered by the Queensland Competition Authority which is only empowered to make recommendations and lacks specialist expertise in this delivery area.

Therefore, the Directorate urges the Commission to make a strong recommendation to enable CSO investigation and design with a view for it to be operational within two-years. Without a clear directive and pathway to resolution, nothing will change.

This change will require both the Queensland and Australian Governments working together, particularly to address funding. As part of United Nations SD6 it is appropriate that the Australian Government allocate a pool of funds to help communities achieve a Basic Level of Service.

Please do not hesitate to contact me if you have any questions.

Yours sincerely

Dr Georgina Davis  
Chief Executive Officer  
The Queensland Water Directorate