Every Queensland community deserves to be a liveable one

National Water Reform 2026: Water services reform directions (Interim update 1)

Submission to the Productivity Commission

July 2026

Web: www.lgaq.asn.au

Twitter: @LGAQ

Linkedin: Local-Government-Association-of-Queensland

Facebook: /LocalGovQld

Instagram: @localgovqld

Contents

About the Local Government Association of Queensland (LGAQ)

The Local Government Association of Queensland (LGAQ) is the peak body for local government in Queensland. It is a not-for-profit association established solely to serve councils and their needs. The LGAQ has been advising, supporting, and representing local councils since 1896, enabling them to improve their operations and strengthen relationships with their communities. The LGAQ does this by connecting councils to people and places; supporting their drive to innovate and improve service delivery through smart services and sustainable solutions; and providing them with the means to achieve community, professional and political excellence.

What makes Queensland councils unique

Queensland councils are diverse. Over a land area seven times the size of the United Kingdom, seventy-seven Queensland councils serve the most decentralised communities in Australia, including 17 First Nations councils. Some councils cover country-sized regions with populations far smaller than a city suburb. Across Queensland, councils own and manage over $178 billion in community assets including 150,000km of roads, $30 billion in Water and Wastewater assets and 53,000ha parks and playgrounds and employ almost 45,000 people to deliver services most councils across Australia do not.

LGAQ Every Queensland community deserves to be a liveable one

National Water Reform 2026: Water services reform directions (Interim update 1)

1.0 Executive Summary

The LGAQ welcomes the opportunity to provide feedback to the Productivity Commission on the progress of water reform in Australia. This submission is in response to the *National Water Reform: Water services reform directions Interim update 1* (interim update) released for public consultation on 19 June 2026 and builds on the LGAQ's previous submission to the Inquiry on 8 May 2026.

Consultation with Queensland councils has highlighted that while the National Water Initiative (NWI) delivered major advances in sustainability, efficiency and equity in water resources, services and markets, local governments still face many challenges in the sustainable delivery of urban water services to their communities.

A lack of dedicated ongoing funding to address the ageing water infrastructure network across Queensland, a statewide skills shortage and regulatory requirements that are not fit-for-purpose all create barriers to local government achieving reform objectives.

As such this sub makes 10 recommendations which focus on future reform directions that position local government in Queensland as a genuine partner in delivering secure, resilient and sustainable water services to communities, while providing appropriate funding and capability support and avoiding cost-shifting and red tape.

We ask that the Federal Government commits to ongoing support through long-term investment in water infrastructure renewal and that any new regulation or reporting requirements should consider effort and cost, proportionate to risk, and to not take a one-size-fits-all approach.

1.1 Recommendations

The LGAQ has prepared detailed comments in relation to each of the topics outlined in the Discussion Paper and has made 10 recommendations, summarised below:

Recommendation 1: The LGAQ recommends the Productivity Commission supports a transparent and consistent national water pricing policy that includes the following key parameters:

- That retail pricing responsibility remains with individual water retailers, subject to oversight only for significant providers,
- That bulk water pricing be subject to independent economic regulation using consistent, transparent national principles, and
- Where State and Federal governments require prices to be held below cost recovery levels for affordability reasons, that this trade-off be made explicit through a funded community service obligation rather than passed on to local government as an unfunded cost.

Recommendation 2: The LGAQ recommends the Productivity Commission:

- Recognises that current trunk infrastructure charging frameworks have created a structural barrier to funding sufficiency for councils and their communities
- Recognises that historic approaches to trunk infrastructure funding have significantly affected the financial sustainability of Queensland councils
- Supports trunk infrastructure funding reforms that minimise cost-shifting onto councils and their communities.
- Supports the provision of a dedicated funding program/s for the critical renewal of existing trunk infrastructure assets.

Recommendation 3: The LGAQ recommends the Productivity Commission supports the call of Queensland councils for state and regional-level planning, conducted in collaboration with local government, which is informed by local knowledge of existing infrastructure capacity and impacts of regulation, to inform future infrastructure provision and funding decisions.

Recommendation 4: The LGAQ recommends the Productivity Commission supports direct engagement with First Nations councils to understand their priorities, as determined by the councils in consultation with their local communities.

Recommendation 5: The LGAQ recommends the Productivity Commission supports the continuation of the National Water Grid Fund: Water Infrastructure for Sustainable and Efficient Regions or its replacement with an equivalent fund to support water service delivery in regional and remote areas.

Recommendation 6: The LGAQ recommends the Productivity Commission supports national water reform settings that:

- promote a balanced, triple-bottom line approach to water recovery in the Murray-Darling Basin, that appropriately considers environmental, social and economic outcomes and avoids reliance on water buybacks as the primary mechanism for achieving recovery targets,
- strengthen the protection of strategic groundwater resources, including the Great Artesian Basin, recognising the critical importance of these resources to the long-term water security, resilience and sustainability of regional, rural and remote communities, and
- invest in long-term water planning and bulk water infrastructure, including the identification, assessment and development of new water sources and storage projects.

Recommendation 7: The LGAQ recommends the Productivity Commission supports a Community Service Obligation payment to small rural and remote service providers who are unable to achieve full cost recovery on a basic level of service to ensure water pricing is affordable in line with larger urban utilities.

Recommendation 8: The LGAQ recommends the Productivity Commission ensures any standardised tools at a national level appropriately reflect the diversity of water service providers and are developed in consultation with water service providers to ensure they are fit-for-purpose and will not impact on consumer confidence in service performance.

Recommendation 9: The LGAQ recommends the Productivity Commission considers the impact of additional monitoring and reporting on small rural and remote water service providers and supports initiatives to ensure they are appropriately trained and resourced to participate, including through the provision of appropriate funding.

Recommendation 10: The LGAQ recommends the Productivity Commission supports a long-term, dedicated and appropriately funded water and wastewater infrastructure renewal program delivered by water service providers in a partnership with Federal and State governments, to address the infrastructure cliff and build the next generation of secure and resilient water and wastewater infrastructure essential for community liveability.

Should you have any questions on this submission, please contact Crystal Baker, Manager – Strategic Policy via email: or Josephine Raftery, Lead – Water and Wastewater Infrastructure via email:

2.0 Introduction

The LGAQ recognises that the purpose of National Water Reform is to advance sustainability, efficiency and equity in water resources, services, and markets and notes that the Inquiry does not consider the new National Water Agreement (NWA), instead focussing on progress against the National Water Initiative 2004, which remains current until the finalisation of the new NWA.

This submission follows the LGAQ's previous submission made during the first phase of consultation to the inquiry on 8 May 2026. Specifically, the LGAQ's submission at that time captured councils' feedback regarding progress against the NWI and barriers, risks and opportunities to providing secure, resilient and sustainable water services.

The four recommendations included in the LGAQ's previous submission were that the Productivity Commission:

- supports fit-for purpose water pricing, regulatory and governance frameworks that ensure retail water pricing remains the responsibility of each water retailer, and supports collaboration as well as local government financial sustainability, recognising the varying circumstances that exist.
- considers the need for a long-term, risk-based funding partnership across all levels of government to support councils in the replacement and upgrading of ageing critical water and wastewater infrastructure.
- considers the need for a partnership across all levels of government to address workforce skills shortages.
- considers the coordination between Federal and State Government departments for sharing of information on risk and appropriate regulatory response in relation to national water security and local government water service provision.

These four matters remain a focus for local governments in Queensland.

This includes providing investment to fix and replace ageing infrastructure that is no longer fit for purpose. Ageing infrastructure is a statewide concern for local government as water service providers to their communities. The issue has been flagged frequently by councils and the LGAQ over the past decade and was most recently raised at the 2025 LGAQ Annual Conference where councils passed Resolution 5 – Partnership approach to address the water and wastewater infrastructure cliff (Resolution 5 2025), which called for a strategic, collaborative approach to replacing and renewing ageing water and wastewater infrastructure.

In response, the LGAQ recently undertook research to quantify the water and wastewater infrastructure cliff resulting in the report: *The Last Drop: Fixing Queensland's infrastructure cliff*[1] *(the Last Drop Report)*. The data confirmed that the statewide network is predominantly mid-century infrastructure and is entering a high-risk age profile with more than half of the network beyond typical service life.

Queensland communities are already experiencing impacts on service delivery and water security linked to the ageing network. The Last Drop Report found that, across the state, a pipe bursts on average every 73 minutes, causing disruption to households and businesses and placing mounting pressure on council budgets and workforces.

As such, the LGAQ welcomes the opportunity to provide feedback to the Productivity Commission on the National Water Reform 2026: Water service reform directions *(*the interim

[1] The Last Drop: Fixing Queensland's infrastructure cliff (2026)

update), recognising that this is the first of two interim updates with the second to focus on progress against the National Water Initiative 2004. Both interim updates will inform the final report (the Report) to be tabled 4 September 2026.

While the LGAQ is supportive of the goals and purpose of the interim update, the LGAQ provides recommendations that aim to shape the National Water Reform directions in a way that will improve the security, resilience and sustainability of water services without resulting in a cost and responsibility shift to councils.

In addition, the cost impacts on councils and local communities associated with increased regulation, reporting and independent price setting need to be properly considered and compensated. In regional and remote communities in particular pressure to conform to National standards can have impacts on councils' financial sustainability when rates revenue is reduced as population decreases.

The interim update demonstrates strong alignment with local government on the importance of secure, resilient and sustainable water services, and appropriately highlights key system challenges including affordability pressures, infrastructure renewal, and regional service delivery constraints

As the level of government funded the least – earning around three cents in every dollar of taxation revenue compared to 80 cents for the Federal Government and almost 17 cents for the State Government – councils cannot continue to shoulder further cost and responsibility burdens from others.

This submission summarises local government feedback and provides recommendations on questions raised in the interim update under the following four broad topics and eight information requests relating to interim recommendations of the inquiry.

1. Water Services in urban centres
   - 1.1 Improve accountability for pricing trade-offs
   - 1.2 Support more integrated planning, charging and regulation
2. Water services in regional and remote areas
   - 2.1 Priorities for self-determined improvements to water services in Aboriginal and Torres Strait Islander communities
   - 2.2 Service delivery in regional and remote areas
   - 2.3 Sustainable funding for service improvements in small towns and communities
   - 2.4 Standardised tools for consumer-led planning, monitoring and evaluation
3. National issues in water service delivery
   - 3.1 Nationally consistent reporting on drinking water quality
   - 3.2 Role of Australian Government investment and funding programs

In drafting the final National Water Reform 2026 inquiry report (the Report), the LGAQ encourages the Productivity Commission to consider the recommendations made in this submission to ensure the proposed reform directions are implementable, equitable, and fit-for-purpose for highly decentralised service delivery models such as Queensland's.

2.1 LGAQ Policy Statement and Annual Conference Resolutions

The LGAQ is committed to member-driven advocacy and working with member councils to build stronger local governments and more resilient local communities.

The LGAQ Policy Statement[2] is a definitive statement of the collective voice of local government in Queensland and provides several key policy positions of local government that are relevant to matters raised within the Discussion Paper.

The relevant agreed policy positions of local government, as stated in the LGAQ Policy Statement, are included in Attachment 1. In addition, several resolutions have been passed by Queensland councils at recent LGAQ Annual Conferences on matters relating to water service provision which are included in Attachment 2.

[2] 2025 LGAQ Policy Statement

3.0 Feedback on the National Water Reform 2026 interim update

The LGAQ is pleased to see the interim update reflect matters raised in its submission to the inquiry on 8 May 2026. We welcome the Commission's recognition of structural challenges facing small providers in Queensland such as high per customer costs, limited revenue bases and infrastructure renewal pressures.

We note the interim update also reflects the concerns raised in the LGAQ submission regarding affordability and financial sustainability and the need for improved coordination across all levels of government to address the key challenges facing the water sector.

However, several critical issues for local government are not adequately addressed in the interim update, such as long-term infrastructure funding solutions, proportional and flexible regulation, recognition of local government delivery models and workforce capability.

Specific concerns and recommendations are covered in the following response to the information requests raised in the interim update, focussing on topics of most relevance to local government.

3.1 Improve accountability for pricing trade-offs

Local government in Queensland is unique in that many councils are simultaneously water and wastewater service retailers who set prices for their customers while also being subject to prices set by State Government-owned bulk water entities Sunwater and Seqwater.

Accountability for pricing trade-offs must therefore be considered across both the retail and bulk water tiers.

The LGAQ Policy Statement states on the matter of retail water pricing responsibility and independent oversight that local government in Queensland accepts that significant larger water service providers should be subject to price oversight by an independent body but that retail water pricing must remain the responsibility of each water retailer, recognising the varying circumstances that exist across council-owned water service providers, including community expectations (8.5.3.1).

For example, Urban Utilities is a commercial water retailer owned by five councils within South East Queensland (SEQ) including Brisbane, Ipswich, Lockyer Valley, Scenic Rim, and Somerset councils. In September 2025, the State Government announced a review by the Queensland Competition Authority of the major water retailers in SEQ including Urban Utilities[3]. This is the first review of the major distributor-retailers in SEQ in 10 years. An interim QCA report[4] released May 2026 noted "proactive engagement at the board level on a range of efficiency matters, with a clear focus on customer affordability".

[3] Ministerial Media Statement – QCA water pricing review in SEQ (29 September 2025)
[4] QCA Interim report – Urban Utilities

Difficulties can arise when one level of government makes a decision regarding cost recovery and places an expectation on local government water service providers or council-owned utilities to follow suit as was recently the case in Queensland.

While the objective of the State Government was to deliver cost of living relief, other factors also need to be considered, including the need to balance affordability with the sustainable provision of water and wastewater services.

Affordability as a social equity objective

The LGAQ Policy Statement states that the State Government must:

- ensure no community is substantially disadvantaged in terms of basic access to, and price of, a reasonable supply of potable water (8.5.1.2), and
- support a minimum service standard underpinned by a community service obligation payment that levels the actual cost of water and wastewater service delivery against the average price in South East Queensland (8.5.1.3).

Local government experiences strong community and political pressure to maintain low water prices combined with a lack of transparency and consistency around pricing principles across other parts the sector.

For example, between 2021 and 2023, in response to concerns from Queensland councils regarding a lack of transparency and consistency in bulk urban water pricing by the State-owned bulk water supplier, Sunwater[5], the LGAQ worked with Sunwater and the Queensland Water Directorate through an Urban Water Pricing Strategic Policy Group to establish a transparent and sustainable pricing method for bulk water.

At the 2023 LGAQ Annual Conference, the Queensland councils passed a resolution calling on the State Government to offset dividends paid by Sunwater against urban water pricing to help address the flow-through impacts of bulk water prices on customers (Resolution 138, 2023).

In 2023, the LGAQ Policy Executive also endorsed four principles that set guidance for fair and accountable price setting for bulk water. These included that:

1. Bulk urban water prices should be set using a consistent approach for all customers
2. The Queensland Competition Authority should have a role in assessing the prudency and efficiency of expenditure underpinning bulk urban water prices
3. Bulk urban water prices should be set to recover the costs associated with providing a bulk urban water service including:

    Part a: prudent and efficient operating and renewals costs

    Part b: a contribution toward the prudent and efficient costs of the original capital investment

    - This contribution, and the way it is levied, should be set to balance economic efficiency and fairness
    - This amount should not include any investment made by the customer in assets subsequently relinquished to the provider

[5] Sunwater is currently subject to QCA oversight on their pricing for irrigation customers in Queensland but not for bulk urban water prices.

- Uniform / postage stamp pricing is a fair and reasonable approach to balancing economic efficiency and fairness, for capital contributions

4. Any transition to new bulk urban water prices should be over time, and account for the impact on end customers

These four principles are reflective of the current national guidance on water pricing under the NWI, which does not address the issue of affordability. Affordability is a customer-centric measure. In order to understand what is affordable, a water retailer must set a basic level of service expectation. This allows a measure of affordability to be taken as the averaged cost to provide the expected basic level of service for larger economically efficient water service providers.

At the 2021 LGAQ Annual Conference, Queensland councils passed a resolution calling on the State Government to investigate a minimum level of service and provide community service obligation payments to regional and remote local government water service providers to achieve cost neutrality in the delivery of water, waste and sewerage services (Resolution 33, 2021).

Financial sustainability objective

Queensland councils are navigating a challenging financial environment as evidenced by the 2024 Queensland Audit Office report into local government financial sustainability, which found Queensland councils continue to remain heavily reliant on external funding sources to deliver the services that their communities rely upon[6].

This is further exacerbated by the need for councils across Queensland, the country's most decentralised state, to either step in to deliver services due to market failure, or to deliver services that should be the purview of the State or Federal Government, but without commensurate funding to support this.

The LGAQ conducted research on cost-shifting to quantify the impact on council budgets, which found cost-shifting onto Queensland councils increased from $47 million a year in 2001/2002 to $360 million in 2021/2022[7].

In Queensland, where local government has responsibility for delivering essential water services, either directly or through a council-owned utility, the impacts of increasing costs to maintain and operate ageing networks, and the reducing capacity of councils to invest in the backlog of renewals while servicing growth, threatens the financial sustainability of local government, not just the water and wastewater operations of councils.

The water sector in Queensland is dominated by small and very small providers. The Last Drop Report[8] found that 50 out of 77 councils in Queensland were operating networks with fewer than 10,000 connections.

These councils often maintain highly dispersed, ageing networks across vast geographic areas, yet operate with the smallest revenue bases. Most smaller providers are unable to raise enough

[6] Queensland Audit Office Report - Local Government 2024

[7] A fairer funding deal for Queensland communities

[8] The Last Drop: Fixing Queensland's infrastructure cliff (2026)

revenue through rates to cover the costs associated with providing the service or to source funding to invest in costly infrastructure upgrades without grant assistance.

It is therefore critical that national and state water pricing policy takes into account the Queensland local government context, including the need for retail pricing policy to remain the responsibility of the councils or responsible council-owned utilities, and the need to ensure councils are supported through any requirement by other levels of government to keep water pricing below cost.

- Recommendation 1: The LGAQ recommends the Productivity Commission supports a transparent and consistent national water pricing policy that includes the following key parameters:
    - That retail pricing responsibility remains with individual water retailers, subject to oversight only for significant providers,
    - That bulk water pricing be subject to independent economic regulation using consistent, transparent national principles, and
    - Where State and Federal governments require prices to be held below cost recovery levels for affordability reasons, that this trade-off be made explicit through a funded community service obligation rather than passed on to local government as an unfunded cost.

3.2 Support more integrated planning, charging and regulation

Queensland has operated under a capped trunk infrastructure charging framework since 2011 – originally under the *Sustainable Planning Act 2009*, and now under its successor, the *Planning Act 2016*.

When introduced, the infrastructure charging framework was intended to keep pace with the cost of delivery, however appropriate indexation has not occurred. As a result of this inadequate indexation, the capped charge councils may levy is now much lower than the true cost councils incur to provide critical infrastructure, such as water and wastewater.

Research released by the LGAQ in 2024[9] found that, historically, revenue from infrastructure charges in regional Queensland has only covered about 39 per cent of the cost of delivering trunk infrastructure. In South East Queensland, infrastructure charges revenue has covered about 50 per cent of the cost.

Moving forward, the research projected that over four years councils and their communities would experience a trunk infrastructure funding gap in excess of $2.2 billion, without intervention.

Noting the intolerability of this funding gap, the LGAQ has consistently called for pricing and regulatory frameworks that avoid shifting costs onto councils and their communities.

[9] 'Fixing Queensland's Trunk Infrastructure Funding Framework' Report (2024)

In response to this, the Queensland Government announced the $2 billion Residential Activation Fund, which has been welcomed by councils and has already helped to establish the infrastructure to activate about 100,000 new homes across urban and regional Queensland[10].

Building on this success, the LGAQ continues to advocate for permanent trunk infrastructure funding solutions, and funding to support critical renewal of existing trunk infrastructure assets throughout Queensland – both of which are outside the scope of the Residential Activation Fund.

The LGAQ Policy Statement sets out a clear position on integrated planning and charging for growth.

- Local government supports integrated infrastructure and land use planning within local planning instruments and State Government-led development of State Infrastructure Plans (including bulk water infrastructure) that inform and regional land use plans (6.1.2.1, 6.1.2.2).
- A permanent infrastructure funding framework is needed that closes the funding gap for councils without shifting further costs on to councils and communities. (6.1.2.3)
- Where maximum (capped) infrastructure charge applies, it should be supported and offset by government subsidy for essential development infrastructure and indexed annually to construction costs (6.1.2.4, 6.1.2.5)
- A State Population Policy and statutory regional planning framework representing a genuine partnership between State and local government would provide clear guidance on locations of future growth locations that water planning and investment depends on. (6.1.1.9, 6.1.1.10)

Without support from other levels of government, the ability for councils to bear the cost of upgrades and replacements in response to growth, and amid more onerous regulation, is limited.

- Recommendation 2 The LGAQ recommends the Productivity Commission:
    - Recognises that current trunk infrastructure charging frameworks have created a structural barrier to funding sufficiency for councils and their communities
    - Recognises that historic approaches to trunk infrastructure funding have significantly affected the financial sustainability of Queensland councils
    - Supports trunk infrastructure funding reforms that minimise cost-shifting onto councils and their communities.
    - Supports the provision of a dedicated funding program/s for the critical renewal of existing trunk infrastructure assets.

The LGAQ Policy Statement states that integrated planning, charging and regulation should be co-ordinated across all levels of government to ensure that changes to legislation and compliance obligations should not follow a 'one size fits all' approach and should not increase red tape or shift costs onto councils (2.1.2.1, 2.1.2.2, 2.1.2.3).

As the level of government closest to their communities, councils are directly involved in providing essential water and wastewater services to their communities and are uniquely

[10] Queensland Government $2 billion Residential Activation Fund (2026)

positioned to understand the impacts that regulation change has on local service delivery and community outcomes.

For example, at the 2022 LGAQ Annual Conference, Queensland councils passed a resolution calling on the State and Federal governments to provide transparent and targeted consultation with local government on legislative changes that impact local governments' sewerage assets and to provide funding for required upgrades (Resolution 90, 2022).

This requirement for targeted engagement should also include early and meaningful engagement on the impacts of State and Federal government strategies for economic development and population growth that place increased demand on local government owned and managed water and sewerage networks.

- Recommendation 3: The LGAQ recommends the Productivity Commission supports the call of Queensland councils for state and regional-level planning, conducted in collaboration with local government, which is informed by local knowledge of existing infrastructure capacity and impacts of regulation to inform future infrastructure provision and funding decisions.

3.3 Priorities for self-determined improvements to water services in Aboriginal and Torres Strait Islander communities

Queensland's 17 First Nations councils strongly advocate for the need for funding to be informed by local priorities as determined by the councils in consultation with their local communities.

This is demonstrated through the passing of Resolution 11 at the 2025 LGAQ Annual Conference which called on the State and Federal Government to consult with discrete First Nations councils prior to approving the delivery of Closing the Gap programs to ensure better coordination and intended outcomes that align with communities' priorities.

It is therefore critical that First Nations councils are directly engaged with to determine which improvements to water services are a priority for their communities.

The Last Drop Report[11] found that for First Nations councils, as for the majority of councils in Queensland, the approaching infrastructure cliff threatens the safe and sustainable delivery of water and wastewater services to their communities.

However, ageing infrastructure issues are particularly acute for First Nations councils due to a legacy of underinvestment in 'hidden' assets such as pipes combined with grants programs that favour new over renewal projects. First Nations councils have limited to no rates base so are highly dependent on grant funding. They are also subject to higher capital costs due to their remoteness.

[11] The Last Drop: Fixing Queensland's infrastructure cliff (2026)

For Example: One First Nations council reported that around 53 per cent of its total operational revenue comes from grants, contributions and subsidies as well as relying heavily on ad hoc capital grants and contributions to build and update necessary infrastructure.

Capital works in remote areas are expensive and logistically difficult with the added burden of climate risk and exposure to heat and extreme weather patterns adding to operational risks.

With assets ageing and a reliance on grants and contributions, increased costs and logistical and environmental barriers, in addition to a workforce turnover of around 70 per cent, the issues facing this council are multifaceted.

Priorities need to be determined by the council with genuine and ongoing engagement with the community to ensure funding solutions meet their needs.

- Recommendation 4: The LGAQ recommends the Productivity Commission supports direct engagement with First Nations councils to understand their priorities, as determined by the councils in consultation with their local communities.

3.4 Service delivery in regional and remote areas

The Queensland Water Regional Alliance Program (QWRAP)[12] is an example of an existing collaborative model that supports secure, resilient and sustainable water service provision in regional or remote areas. It is a State Government funded program to drive collaboration on water and sewerage services in regional Queensland with permanent funding of $2 million each year announced in December 2021[13].

For example, in QWRAP the North West Queensland Regional Water Alliance (NWQRWA) is comprised of nine councils across North West Queensland region. In 2024-2025 the NWQRWA reported a suite of impactful initiatives aimed at improving water and sewerage services in remote communities including:

- Skills Gap and Training Needs Assessment with industry partner TRILITY.
- Lagoon Desludging Pre-Assessment Project, involving eight NWQWSA councils and Quilpie Shire Council (showcasing cross-alliance collaboration).
- Delivery of the Customer Service Standards Charter
- Harmonisation of Processes program
- Combined procurement of asset resilience projects
- North West Drought Management and Water Security Initiative
- Reservoir Cleaning and Water Mains Air Scouring projects

[12] QWRAP
[13] Ministerial Statement – Water funding for regional councils extended permanently

However, while QWRAP encourages and has resulted in operational efficiencies, it does not extend to the capital investment needed by councils for renewals, growth infrastructure and upgrades. Without a dedicated capital investment program, councils remain limited in their service delivery capabilities and their ability to meet regulatory requirements.

Two resolutions raised at LGAQ Annual Conferences – Resolution 43 in 2022 and Resolution 140 in 2023 call on State and Federal government investment in new and augmented water infrastructure projects in regional Queensland recognising the impact water supply security has on the challenge of delivering secure, resilient and sustainable water services.

Resolution 43, passed at the 2022 LGAQ Annual Conference called on the State and Federal governments to consult with councils and conduct economic impact assessments to identify new bulk water sources and to assess and invest in which proposed water developments would provide the greatest benefits in term of reliable, long-term water supply for industry and population growth in regional areas.

Resolution 140, passed at the 2023 LGAQ Annual Conference called for increased State and Federal Government investment in the construction of new and augmented water infrastructure projects across regional Queensland to improve water security and deliver long-term bulk water sources.

Queensland councils and the LGAQ, therefore, continue to advocate for appropriate funding through other programs to address statewide issues resulting from underinvestment in water infrastructure that has ongoing impacts on water and wastewater service delivery.

There is currently no grant funding program in Queensland dedicated to water and wastewater infrastructure. Recently, some councils have accessed funding under the National Water Grid Fund: Water Infrastructure for Sustainable and Efficient Regions (WISER), a competitive fund administered through the State Government - though local government may be project partners. However, the program's unallocated funding was reallocated in the most recent Federal Budget[14].

- Recommendation 5: The LGAQ recommends the Productivity Commission supports the continuation of the National Water Grid Fund: Water Infrastructure for Sustainable and Efficient Regions or its replacement with an equivalent fund to support water service delivery in regional and remote areas.

Councils also face the negative impact of underinvestment in bulk water planning for long term security, particularly in shared water resources such as the Murray Darling Basin (Resolution 71 2023) and Great Artesian Basin (Resolution 70 2023).

Rural and remote councils rely on these water sources and by extension, investment in State-owned bulk water storage – particularly in times of water shortages and are therefore greatly impacted by policy reforms that seek to restrict access such as water buybacks.

They also seek to ensure a regulatory framework that appropriately protects these vital water sources from potential threats, as evidenced by the call of councils at the 2023 LGAQ Annual Conference, through Resolution 70, for a ban on carbon capture and storage projects in the

[14] Federal Budget Paper 2: Budget Measures (2026).

Great Artesian Basin, as well as for the State and Federal governments to work collaboratively to protect the Great Artesian Basin for regional communities, as it is the only reliable source of fresh water for much of inland Australia.

- Recommendation 6: The LGAQ recommends the Productivity Commission supports national water reform settings that:
    - promote a balanced, triple-bottom line approach to water recovery in the Murray-Darling Basin, that appropriately considers environmental, social and economic outcomes and avoids reliance on water buybacks as the primary mechanism for achieving recovery targets,
    - strengthen the protection of strategic groundwater resources, including the Great Artesian Basin, recognising the critical importance of these resources to the long-term water security, resilience and sustainability of regional, rural and remote communities, and
    - invest in long-term water planning and bulk water infrastructure, including the identification, assessment and development of new water sources and storage projects.

3.5 Sustainable funding for service improvements in small towns and communities

The LGAQ Policy Statement states that the State Government must ensure no community is substantially disadvantaged in terms of basic access to, and price of a reasonable supply of potable water (8.5.1.2) and that there is role for State Government to set adequate service levels with active consultation with local government as stakeholders (8.5.1.4).

At the LGAQ Annual Conference in 2021, a resolution was passed seeking a Community Service Obligation payment from State Government to level the playing field with the trade-off between full cost recovery and affordability between large service providers and small regional and remote service providers. (Resolution 33, 2021)

This resolution was drawn into the LGAQ Policy Statement which reflects the need for a community service obligation payment alongside the setting of a minimum standard for water and sewerage services to support those small rural and remote councils service providers where true cost recovery is not possible. (8.5.1.3).

Recommendation 7: The LGAQ recommends the Productivity Commission supports a Community Service Obligation payment to small rural and remote service providers who are unable to achieve full cost recovery on a basic level of service to ensure water pricing is affordable, in line with larger urban utilities.

3.6 Standardised tools for consumer-led planning, monitoring and evaluation

In considering the value of standardised tools for consumer-led planning, monitoring and evaluation, the LGAQ acknowledges that national consistency can be beneficial, however emphasises that water service delivery contexts vary significantly across jurisdictions.

Over-standardisation risks:

- Reducing flexibility
- Increasing compliance burden
- Undermining locally effective solutions

For this reason, standardisation of operations, processes and systems is best led by industry with guidance from State and Federal governments. The QWRAP[15] program shows that standardisation is possible and effective where providers share similar contexts.

In Queensland, water and sewerage service providers must publish an annual performance report and give the report to the Department of Local Government, Water and Volunteers. This information is designed to monitor service delivery, water security, demand management, infrastructure investment and maintenance, financial stability, customer service and affordability.

The monitoring and reporting on Water Service Provider KPIs is done through the Statewide Water Information Management System (SWIM)[16]. This information is publicly available through a State Government dashboard called the Queensland Urban Water Explorer[17] (the Explorer). The explorer allows customers to explore, visualise and compare water service providers performance data and understand the factors that impact that performance. In addition, all urban water service providers must publish their own performance report on their website.

Water service providers are categorised according to system scale - measured as total number of connections. The dashboard only allows comparison between providers in the same size category, recognising that a one size fits all standard of measuring service performance is inappropriate for a water sector as disperse and diverse as Queensland's.

- Recommendation 8: The LGAQ recommends the Productivity Commission ensures any standardised tools at a national level appropriately reflect the diversity of water service providers and are developed in consultation with water service providers to ensure they are fit-for-purpose and will not impact on consumer confidence in service performance.

3.7 Nationally consistent reporting on drinking water quality

In Queensland, the Australian Drinking Water Guidelines (ADWG) are given effect through the regulatory requirement for all water service providers to have a Drinking Water Quality Management Plan (DWQMP). They provide a risk-based approach to transparently managing drinking water quality.

The drafting of DWQMP as well as annual reports summarising the implementation of the DWQMP, are time-consuming element of regulatory compliance that can be worsened though lack of consistency with National Standards.

For example, in 2022 a resolution was raised the LGAQ Annual Conference (Resolution 141 (2023)) asking the State Government to provide clarity on expectations in advancing water

[15] The Queensland Water Regional Alliance Program
[16] SWIM Project
[17] The Queensland Urban Water Explorer

quality compliance when implementing risk mitigation strategies in Australian Drinking Water Guidelines.

The proposed introduction of national reporting on drinking water quality may create similar uncertainty for local government water service providers and increase the regulatory burden of annual reporting if in addition to current SWIM data reporting.

The LGAQ Policy Statement states that local government is committed to best practice in water use and implementation of sustainable local government urban water management (8.5.4.1). However, the administrative burden of additional monitoring and reporting, particularly for small and remote councils should be reflective of risk, capability and capacity.

For example, in a small western regional council a recent workforce strategy has achieved its primary objective of stabilising workforce numbers and improving continuity of service delivery. However, the composition of the workforce has changed with a larger proportion of recently recruited staff coming from outside the water utilities industry.

This has resulted in a lower baseline level of technical experience than historically present, shifting the focus of the council from workforce availability to capability development.

At the 2022 LGAQ Annual Conference a resolution was passed calling on the State and Federal governments to work with LGAQ and other peak bodies to find solutions to the issue of developing attracting and retaining a skilled water industry workforce (Resolution 44, 2022).

- Recommendation 9: The LGAQ recommends the Productivity Commission considers the impact of additional monitoring and reporting on small rural and remote water service providers and supports initiatives to ensure they are appropriately trained and resourced to participate, including through the provision of appropriate funding.

3.8 Role of Australian Government investment and funding programs

State and Federal programs play an important role in supporting councils to deliver major renewals, upgrades and compliance related improvements. In practice, external funding is often the enabling mechanism for larger capital works that are otherwise unaffordable within annual budgets, particularly where asset failures, compliance deadlines, or resilience upgrades require accelerated investment.

The Federal Government National Water Grid Fund: Water Infrastructure for Sustainable and Efficient Regions (WISER) is a national program delivered through the State Government with local government as partners where appropriate. This program has provided benefits to local governments in Queensland including Central Highlands Regional Council who received upgrades to two water treatment plants through the program delivering on reliability and water quality improvements.

However, the program is highly competitive and dependant on State Government support and applications have closed pending announcement of future funding rounds.

Queensland councils play a critical role in providing water services ranging from planning and pricing to the delivery of town water and wastewater services that draw on water resources and ensure the protection of the waterways and the ecosystems that they support through management of stormwater.

Local governments in Queensland also influence water security, resilience and sustainability by directly by owning and managing water supply infrastructure, through water security planning and demand management activities, and indirectly through land use and economic development planning.

In providing essential water and wastewater services in Queensland, councils own and manage an estimated $30 billion worth of infrastructure making up approximately 21 per cent of all local government infrastructure assets. Evidence released in the LGAQ Report '*The Last Drop: Fixing Queensland's infrastructure cliff*'[18] shows that this network is ageing – with most water and wastewater installed during the post-war construction boom.

While water infrastructure and wastewater infrastructure generally has a long design life, there is a limit to how long proactive maintenance and reactive renewal can keep pace with increasing failures due to age and outdated materials such as asbestos pipes that were popular at the time of construction but are now deteriorating with age.

The Last Drop Report confirms that Queensland's local government-owned water and wastewater network is entering a high-risk renewal period. Key findings in the report underscore the asset renewal challenge facing councils including:

- Ageing assets: With an average pipe age of 58 years, more than half of the water network in Queensland is beyond typical service life.
- Growing renewal backlog: Nearly three quarters of councils say asset wear now exceeds capital expenditure, signalling a rapidly growing infrastructure backlog.
- Short-term renewal task: Around 11 per cent or $5 billion in local government-owned and managed water and wastewater assets are classified as short-term renewal priorities.
- Escalating costs: Construction and labour costs are escalating and are forecast to be 2.5 times higher by 2045 significantly amplifying the financial burden on councils.
- Declining revenue: Revenue from water is declining across Queensland and currently estimated to be below $3 billion per year only a portion of which can be invested back into the estimated $5 billion short term infrastructure renewal task.
- Service impacts: A water main breaks on average every 73 minutes, worse than the 80 minutes reported when this research was last conducted in 2018 indicating a worsening problem.

[18] The Last Drop: Fixing Queensland's infrastructure cliff

- Small-provider constraints: Queensland has a water sector dominated by small providers with less than 10,000 connections who maintain highly dispersed, ageing networks across vast geographic areas, yet operate with the smallest revenue bases.
- Reliance on grant funding: For small and very small councils, the financial constraints are high with 30 per cent reporting that they are unable to fund capital works without grant support

Eligibility rules, co-contribution requirements and short delivery timeframes mean access to State and Federal programs to address these findings are unavailable or unsuitable. The report proposes several solutions including calling on the State and Federal governments to partner with local government by investing in dedicated funding for water and wastewater renewals.

On behalf of local government, the LGAQ seeks a long-term dedicated funding source from all levels of government to co-invest in replacing infrastructure operating beyond its design life with contemporary infrastructure that is more resilient and sustainable and can provide better water security, water quality and service outcomes including reducing risks to public health.

- Recommendation 10: The LGAQ recommends the Productivity Commission supports a long-term, dedicated and appropriately funded water and wastewater infrastructure renewal program delivered by water service providers in a partnership with Federal and State governments, to address the infrastructure cliff and build the next generation of secure and resilient water and wastewater infrastructure essential for community liveability.

4.0 Conclusion

The LGAQ would like to thank the Productivity Commission for the opportunity to provide feedback on the National Water Reform 2026: Water services reform directions (interim update 1).

It is important that the direction of National Water Reform for urban water services acknowledges the important role of local government in Queensland as a key partner in the delivery of water services to the community. Councils provide this essential service across a diversity of locations, system, scale and capabilities and within a challenging economic outlook of ageing infrastructure and escalating costs.

The Federal Government in setting guidance for a basic level of service for water services and monitoring performance must recognise that there is a systematic funding gap across all areas of water service provision and ensure that local government has the funding and capability to meet that basic level of service and that regulatory compliance does not further increase red tape or shift costs to local government.

Local government water service providers, including First Nations councils should be provided with the resources and capability to determine what direction reform of water services in Queensland should take and should retain the right to set water prices that are appropriate for their communities.

Overall, the LGAQ supports initiatives to improve the security of water services, particularly in regional, rural and remote communities. However, councils cannot continue to absorb increasing service, infrastructure, regulatory and community expectations without a more sustainable and coordinated reform and funding framework.

Attachment 1: LGAQ Policy Statement

The LGAQ Policy Statement 2025[19] is a definitive statement of the collective voice of local government in Queensland. The following statements represent the agreed policy positions of local government as outlined in the LGAQ Policy Statement, and as relevant to the Discussion Paper.

1.9 First Nations Local Governments

1.9.3 The LGAQ will continue to support the Indigenous Leaders Forum (ILF) to provide a dedicated means of engaging with and understanding the needs of First Nations councils, to support their advocacy priorities, and to assist them thrive within the regulatory requirements of the Local Government Act.

1.9.4 There should be genuine and collaborative partnerships between the Federal and State governments and First Nations local governments democratically elected by and representative of their communities to improve their economic and social wellbeing.

1.9.5 State and Federal governments will work with local governments to ensure that government investment in their communities will encourage the local economy, promote local skills acquisition and local employment, and serve to Close the Gap on the identified areas of disadvantage occurring in the communities.

2.1. Legislative Framework

2.1.2.1 Legislation affecting local government in Queensland should be framed in recognition of the diversity of capacity, size, resources, skills and physical location of local governments, and should not be drafted under a "one size fits all" model.

2.1.2.2 Additional compliance placed on local government by the State Government should take into consideration risk management and materiality and the value of transparency to the community and should not be based on simply aligning local government with the State Government.

2.1.2.3 Legislation affecting local government in Queensland should not increase red tape or result in any cost shifting on to local governments.

3.1 Funding Assistance

3.1.2.1 Local government seeks a dedicated water and wastewater infrastructure funding program, allocated on a basis of assessed need and to support local governments water supply upgrades identified as necessary in response to water supply security assessments and regulatory change.

6.1.1 Strategic Planning

6.1.1.9 Local government supports the State Government developing a State Population Policy to provide clear guidance on the future locations of population growth and infrastructure provision.

[19] 2025 LGAQ Policy Statement

6.1.1.10 Local government supports the introduction of a statutory regional planning framework that: •

- Represents a true regional partnership between the State and local governments;
- Addresses matters of State and regional interest; and
- Informs local planning instruments.

6.1.2 Infrastructure Planning and Charging

6.1.2.1 Local government supports integrated infrastructure and land use planning measures within local planning instruments.

6.1.2.2 Local government supports the State Government developing comprehensive state infrastructure plans that support and inform local planning instruments and statutory regional plans.

6.1.2.3 Local government supports the creation and implementation of a permanent infrastructure funding framework that addresses the funding gap for councils and does not result in further cost shifting onto councils and the community.

6.1.2.4 Local government supports the use of an adopted infrastructure charge option given the simplicity, legal clarity, and certainty provided by such a framework. Local government opposes the use of an adopted infrastructure charge option where a maximum charge is imposed unless supported and offset by State Government subsidies for essential development infrastructure.

6.1.2.5 Local government supports the annual indexation of the maximum adopted infrastructure charges by the Queensland road and bridge construction index.

6.1.2.2 Local government supports the State Government developing comprehensive state infrastructure plans that support and inform local planning instruments and statutory regional plans.

6.1.2.3 Local government supports the creation and implementation of a permanent infrastructure funding framework that addresses the funding gap for councils and does not result in further cost shifting onto councils and the community.

6.1.2.4 Local government supports the use of an adopted infrastructure charge option given the simplicity, legal clarity, and certainty provided by such a framework. Local government opposes the use of an adopted infrastructure charge option where a maximum charge is imposed unless supported and offset by State Government subsidies for essential development infrastructure.

6.1.2.5 Local government supports the annual indexation of the maximum adopted infrastructure charges by the Queensland road and bridge construction index.

8.5.1 Institutional Arrangements (for water and wastewater service delivery)

8.5.1.2 The State Government must ensure no community is substantially disadvantaged in terms of basic access to, and price of a reasonable supply of potable water.

8.5.1.3 Local government supports the setting of a minimum standard for water and sewerage services across Queensland, with the instalment of a community service obligation, levelling the actual cost of providing water and sewerage services to local communities based on the average price in South East Queensland.

8.5.1.4 Local government believes water demand and supply planning across the State, including the establishment of adequate levels of service provision to the community, should be led by the State Government, with active involvement of local government as a key stakeholder. There should be continued engagement with local government in the design and implementation of the State Government's strategy for Queensland's water sector.

Attachment 2: LGAQ Annual Conference Resolutions

The following resolutions have been passed by Queensland councils at previous LGAQ Annual Conferences and are relevant to the Discussion Paper and other matters for consideration as outlined within this submission.

Resolution 5 (2025): Partnership approach to address the water and wastewater infrastructure cliff

1. That the LGAQ calls on the State Government to partner with local government to deliver safe, secure and affordable water for Queensland communities by taking a strategic programmatic approach to address the infrastructure cliff that includes:

- providing funding support for councils to undertake strategic asset criticality assessments to clearly identify the infrastructure risks in their water and wastewater networks,
- co-designing a dedicated water and wastewater funding program with local government that is focussed on renewal and replacement of aging assets identified as high risk, and
- committing to providing ongoing non-competitive, dedicated funding for water and wastewater projects to address increasing risk of system failure in these critical services.

2. That the LGAQ calls on the State Government to expedite the release of the results from the urban water risk assessment.

Resolution 11 (2025): Consultation on Closing the Gap service delivery

That the LGAQ calls on the State and Federal Government to consult with discrete First Nations councils prior to approving the delivery of Closing the Gap programs to ensure better coordination and intended outcomes that align with communities' priorities.

Resolution 49 (2024): Ban the importation and use of products containing PFAS-group chemicals

That the LGAQ calls on the State and Federal governments to ban the importation and use of products containing PFAS-group chemicals by the end of 2026, including products not covered by the Industrial Chemicals Environmental Management Standard (cosmetics, personal care products, food packaging, clothing) rather than requiring local government water service providers to upgrade treatment technology, to protect community health and the environment from these chemicals.

Resolution 23 (2024): High Priority ground water allocations for town water supply

That the LGAQ calls on the State Government to amend relevant water legislation, regulation, plans and protocols to allow allocation of high priority groundwater entitlements (licences and allocations) to registered water service providers for town water supply.

Resolution 87 (2023) - Indemnity for Local Government from liability for the release of Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS)

The LGAQ calls on the State Government to implement legislation indemnifying water and sewerage service providers from liability associated with the release of Perfluoroalkyl and Poly Fluoro Alkyl Substances (PFAS) to potable and receiving waters, including stormwater as the industry are passive receivers of these substances and there are no viable technologies to remove these substances from water and sewerage systems cost effectively.

Resolution 71 (2023): Murray-Darling Basin Plan Water Buy Backs

The LGAQ calls on the Federal Government to not solely use water buybacks to recover water for the Murray Darling Basin targets, noting that an equitable triple bottom line approach is important for sustainable Queensland communities.

Resolution 70 (2023): Protection of the Great Artesian Basin from carbon capture and storage technology

The LGAQ calls on the State Government not to approve carbon capture and storage technology on the Great Artesian Basin and further requests the State and Federal governments work collaboratively to protect the Great Artesian Basin for regional communities, as it is the only reliable source of fresh water for much of inland Australia.

Resolution 138 (2023): Cost of Sunwater Bulk Water

The LGAQ calls on the State Government to offset dividends provided by Sunwater against urban water pricing to help offset bulk water price impacts to urban customers.

Resolution 140 (2023): Investment in water infrastructure projects across regional Queensland for water security

That the LGAQ calls on the State and Federal Government to provide increased investment toward the construction of new and augmented water infrastructure projects across regional Queensland to improve water security and deliver long-term, bulk water sources for regional communities.

Resolution 141 (2023): Drinking Water Quality Improvement Pathway

That the LGAQ calls on the State Government to amend relevant water legislation, regulation, plans and protocols to allow allocation of high priority groundwater entitlements (licences and allocations) to registered water service providers for town water supply.

Resolution 142 (2023): Dam safety upgrade funding

The LGAQ calls on the State and Federal Governments to provide funding for dam safety improvement projects throughout the state.

Resolution 43 (2022): Supplying Reliable and Long-term Water Supply for Industry and Population Growth in Regional Areas

The LGAQ calls on the State and Federal governments to consult with local government and conduct economic impact assessments to identify new bulk water sources, assess and invest in which proposed water developments will provide the greatest benefits by supplying reliable and long-term (20-plus years) water supply for industry and population growth in regional areas.

Resolution 44 (2022): Developing, Attracting and Retaining a Skilled Water Industry Workforce within Queensland

The LGAQ calls on the State and Federal governments to work with LGAQ and other peak bodies (including the Queensland Water Directorate) to investigate solutions to existing workforce challenges associated with developing, attracting and retaining a skilled water industry workforce in Queensland, building on the work undertaken under the Queensland Water Skills Partnership.

Resolution 90 (2022): Environmental Legislation Changes Impact

The LGAQ calls on the State and Federal governments to:

1. Provide transparent and targeted consultation with local governments and water authorities regarding changes to environmental legislation that impacts local governments' sewerage assets, and

   Provide funding to assist local governments in maintaining and upgrading sewerage assets to meet evolving environmental legislation and protect the environment.

Resolution 118 (2022): Long Term Investment in Operational and Capital funding for Water and Sewerage Networks to Ensure Water Security

The LGAQ calls on the State and Federal governments to:

1. Reintroduce an ongoing and dedicated subsidy program such as the former Water and Sewerage Program (WASP) for operational expenditure to assist regional councils to maintain aging water and sewerage infrastructure with ongoing funding certainty over the long-term.
2. In the immediate term, make capital funding available through the continuation of the successful Building our Regions program (Round 6) to address the backlog of water and sewerage asset renewal programs and deliver projects that support and diversify local economies

Resolution 33 (2021): Community Service Obligation – Water, Waste & Sewerage Services

That the LGAQ calls on the State Government to investigate a Community Services Obligation payment to Local Government for supply of water, waste and sewerage services to achieve cost neutrality of their water, waste and sewerage services.