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National Water Reform 2026 inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

By email: waterreform2026@pc.gov.au

Dear Commissioners

National Water Reform 2026 — Water Services Reform Directions

Thank you for the opportunity to provide feedback on the Productivity Commission's (**Commission**) *National Water Reform 2026: Water services reform directions* interim update (**Interim Update 1**).

The Queensland Law Society (**QLS**) is the peak professional body for the State's legal practitioners. We represent and promote over 14,000 legal professionals, increase community understanding of the law and help protect the rights of individuals and consumers. QLS also assists the public by advising government on improvements to laws affecting the community and working to improve their access to the law.

This response has been prepared with the assistance of the QLS Water & Agribusiness Committee, whose members have substantial expertise in this area. QLS has confined its response to the information requests on which it considers that its legal and institutional perspective may assist the Commission.

Executive Summary

QLS supports nationally consistent governance outcomes implemented through existing state and territory frameworks. National reform should focus on accountability, transparency and funding responsibility rather than prescribing a single institutional model. This submission focuses on the legal, governance and implementation arrangements that may assist in giving those directions practical effect.

In QLS's view, nationally agreed objectives will not improve service outcomes unless governments also identify:

- who is responsible for each material decision and obligation;

- which matters involve technical or regulatory assessment and which involve government policy choices;
- who bears the financial consequences of those choices;
- how implementation and continuing obligations will be funded; and
- how performance, non-compliance and material changes in assumptions will be reported and addressed.

QLS makes the following recommendations.

Information Request 1 – Improve accountability for pricing trade-offs

Before a significant pricing decision, the relevant government should state the applicable policy objectives, the regulator's task, the matters reserved for government decision and the source of funding for any departure from efficient cost recovery.[1]

Pricing frameworks should distinguish between:

- the assessment of prudent and efficient service costs;
- government decisions concerning affordability, concessions and community service obligations (**CSO**); and
- hardship assistance for customers experiencing financial difficulty.

This would make clear who has made the relevant trade-off and who is accountable for its consequences.

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

Planning and regulatory processes should identify, before material commitments are fixed:

- the infrastructure and services required;
- responsibility for delivery;
- implementation timing;
- cost allocation; and
- the proposed source of funding.

Where government caps developer charges or imposes material new regulatory obligations, it should assess and disclose the resulting implementation costs, the party expected to bear them and the proposed funding source.

Information Request 4 – Service delivery in regional and remote areas

QLS supports locally appropriate collaborative arrangements, including regional alliances, shared services and partnerships with larger providers. No single institutional model should be prescribed.

Whatever model is adopted, it should clearly allocate responsibility for:

- regulatory compliance and performance reporting;
- operations, maintenance and renewals;
- emergency response;

[1] For the purposes of this submission, 'efficient cost recovery' means recovery, through customer charges and any transparent government contribution, of the prudent and efficient costs of delivering the defined service standard, including efficient operating, maintenance, renewal and capital costs.

- customer protections and complaints; and
- capital and ongoing funding.

Information Request 5 – Sustainable funding for service improvements in small towns and communities

A nationally consistent governance framework should link an agreed basic level of service (**BLOS**) with transparent CSO arrangements.

CSO arrangements should distinguish between:

- the efficient cost of achieving and maintaining the agreed service outcome;
- the revenue reasonably recoverable from customers; and
- the residual amount government has decided to fund.

Funding should be predictable and capable of supporting operations, maintenance, asset renewal and workforce capability, rather than being confined to new capital works. Payment purposes, amounts and service outcomes should also be reported publicly.

Information Request 7 – Nationally consistent reporting on drinking water quality

National reform should improve the comparability, accessibility and use of drinking water quality information by standardising a limited national dataset and using existing jurisdictional systems wherever practicable.

The framework should adopt a "report once, use many times" approach, recognise equivalent jurisdictional reporting and avoid creating a parallel Commonwealth compliance regime. State and territory regulators should retain primary responsibility for operational compliance, incident response and enforcement.

Information Request 8 – Role of Australian Government investment and funding programs

The core National Water Grid Investment Framework principles should operate as express conditions of Australian Government funding.

Major project business cases and benefit-cost analyses should be completed, independently scrutinised and published before unconditional construction commitments are made. Where government funds a project despite an adverse or marginal assessment, it should publish the policy objective and reasons for departing from ordinary assessment criteria.

Funding agreements should also identify:

- the entity responsible for material post-construction obligations;
- the source of continuing funding;
- the allocation of material legal, regulatory, operational, maintenance and renewal costs; and
- the mechanism for review where assumptions materially change.

Funding arrangements should provide for proportionate post-completion monitoring and reporting and should support workforce, technical and institutional capability where necessary to sustain funded infrastructure.

Information Request 1 — Improve accountability for pricing trade-offs

QLS supports the Commission's proposed direction to improve accountability for trade-offs between affordability, efficient cost recovery, financial sustainability, investment and service resilience.

Governments, regulators and water service providers (**WSPs**) perform different functions. Those functions need not be consolidated in a single institution. However, their respective roles, policy objectives and funding responsibilities should be stated clearly so that the public can identify who has made a particular trade-off and who is accountable for its consequences.

Clear responsibility for pricing decisions

Queensland's water pricing arrangements illustrate how clearer accountability can be achieved through existing legal and institutional mechanisms.

For Urban Utilities and Unitywater, the Queensland Competition Authority (**QCA**) conducts price monitoring intended to improve transparency and accountability in expenditure and price-setting processes, while the utilities remain responsible for setting the retail prices paid by their customers.[2]

Irrigation pricing provides a second example. The QCA investigates and recommends prices for services provided by Sunwater and Seqwater within the scope of the relevant government referral or direction. The Queensland Government ultimately determines the prices that apply, including any transition arrangements or departure from cost-reflective outcomes.[3]

These arrangements demonstrate that independent regulatory assessment can coexist with government responsibility for broader policy, affordability and distributional decisions. Transparency depends, however, on the public being able to distinguish between:

- the government's policy objectives;
- the regulator's assessment of prudent and efficient costs;
- the utility's operational and investment responsibilities; and
- responsibility for determining the final price and funding any shortfall from efficient cost recovery.

The Commission has identified that unclear policy objectives, roles and funding responsibilities can produce inconsistent signals, late changes in requirements, uncertainty about cost recovery and weaker accountability for policy choices.[4]

QLS considers it important that, at the commencement of a significant pricing process, government publicly state:

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[2] Queensland Competition Authority, *Price Monitoring Review 2026–27: Urban Utilities — Interim Report* (May 2026) 4; Queensland Competition Authority, *Urban Water Price Monitoring 2026–30 — Notice of Investigation* (30 September 2025) 1; *Queensland Competition Authority Act 1997* (Qld) s 23A.

[3] Queensland Competition Authority, *Review of RAB-based Irrigation Prices from 1 July 2027: Sunwater — Draft Report* (June 2026) 4; Queensland Competition Authority, *Review of RAB-based Irrigation Prices from 1 July 2027: Seqwater — Draft Report* (June 2026) 4; Direction Notice under s 10(g) of the *Queensland Competition Authority Act 1997* (Qld) 1–3.

[4] Productivity Commission, *National Water Reform 2026: Water Services Reform Directions* (Interim Update, June 2026) 8, 10, 16.

- the policy objectives to be pursued;
- the regulator's task;
- the matters reserved for subsequent government decision; and
- responsibility for funding any departure from efficient cost recovery.

This would reduce uncertainty about the scope of the review and help distinguish independent regulatory analysis from government policy choices.

Affordability and transparent assistance

QLS supports governments defining affordability as a social-equity objective. Affordability should not, however, operate as a general direction to keep average water prices as low as possible.

In this context, QLS considers that affordability should refer to access to a basic level of safe and reliable water and wastewater services without undue financial hardship.

This distinction is important. Delaying maintenance or underinvesting in infrastructure renewal may reduce near-term costs but result in higher future bills and poorer service outcomes.[5] General price suppression may therefore undermine, rather than promote, longer-term affordability and service resilience.

QLS supports the Commission's distinction between efficient cost assessment and targeted affordability measures. Pricing and policy frameworks should differentiate between:

- the assessment of prudent and efficient service costs;
- government decisions to provide concessions, subsidies or CSO funding for particular customers, communities or services; and
- hardship and payment-assistance arrangements for customers experiencing financial difficulty.

Queensland already uses distinct mechanisms for these purposes. The QCA must have regard to social welfare and equity considerations in relevant investigations, while government concessions, provider hardship arrangements and irrigation CSOs operate separately.[6]

QLS supports cost-reflective pricing wherever practicable, together with targeted and transparent assistance where government determines that particular customers, communities or services should not bear the full efficient cost of service provision.

Where government decides that particular customers, communities or services should not bear the full efficient cost, it should identify the policy objective, beneficiaries, extent and duration of assistance, and funding source. Any resulting shortfall should be addressed through an express policy and funding decision rather than left implicitly with the regulator or service provider.

[5] Ibid 3–4.

[6] *Queensland Competition Authority Act 1997* (Qld) s 26; Queensland Competition Authority, Seqwater Bulk Water Price Review 2022–26 (Final Report, March 2022) 100; *South East Queensland Customer Water and Wastewater Code*, cl 16.5; Sunwater, Irrigation Pricing Proposal 1 July 2025 to 30 June 2029 (November 2023) v; Sunwater, Response to QCA Draft Report (2025) 94.

A high-level affordability objective could appropriately be reflected in nationally consistent pricing principles or guidance. Its implementation should remain adaptable to the legislative, regulatory and institutional arrangements applying in each jurisdiction.

QLS also supports proportionate public reporting of material indicators of financial resilience and investment capacity where necessary to explain the longer-term consequences of pricing decisions. Any national guidance should build on existing regulatory and corporate reporting rather than duplicate it.

Recommendation – Information Request 1 — Clear accountability for water pricing trade-offs

QLS recommends that the Australian Government adopt nationally consistent principles requiring clear public statements, before significant water pricing or investment decisions, of:

- the respective roles of government, regulators and service providers;
- the applicable pricing, service, affordability and resilience objectives;
- responsibility for assessing efficient costs and determining final prices; and
- the source and duration of funding for any departure from efficient cost recovery.

The principles should be implemented through existing legislative, regulatory and reporting frameworks wherever practicable and applied proportionately to different provider types.

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

QLS agrees with the Commission's proposed direction to improve coordination between water service planning, land-use planning, infrastructure charging, economic regulation and the development of new regulatory requirements.

The respective responsibilities of governments, regulators, planning authorities and WSPs should be identified early enough for informed decisions to be made about infrastructure, timing, cost allocation and funding.

Early coordination of planning and servicing decisions

The Commission has identified that water services are not always planned in conjunction with growth, land use and other enabling infrastructure. Misalignment between development approvals, utility capital planning, regulatory decisions and infrastructure-delivery timeframes may delay investment, increase costs and reduce opportunities for better-sequenced solutions.[7]

QLS supports early engagement with relevant WSPs before material development or infrastructure commitments are fixed. The planning process should identify:

- the infrastructure and services required;
- the timing and sequencing of delivery;
- responsibility for delivery;

[7] Productivity Commission, *National Water Reform 2026: Water Services Reform Directions* (Interim Update, June 2026) 14.

- the party expected to bear the costs; and
- how those costs will be addressed through charging, pricing or government funding.

The Commission's proposed best-practice principles provide an appropriate foundation. They include connecting water planning with land-use planning, transparently assessing available options, clearly assigning responsibilities and enabling coordination between governments, utilities, regulators, developers and planning authorities.[8]

Transparent charging and funding consequences

The relevant governance issue is whether the consequences of a charging decision are transparent.

The Commission has observed that developer charges set below cost-reflective levels may shift growth-related costs to existing customers and create non-transparent cross-subsidies. It has also identified that unclear responsibility for public-benefit and environmental outcomes can make it difficult to determine who should pay and may encourage costs to be shifted between institutions.[9]

The Local Government Association of Queensland (**LGAQ**) has submitted that Queensland's capped infrastructure charges do not fully reflect the cost of trunk infrastructure.[10] QLS does not rely on that submission to establish the appropriate charge level, but it illustrates the need to identify transparently who bears any unrecovered cost.

Where government determines that a developer charge will not recover an identified share of growth-related infrastructure costs, it should state:

- the policy objective for that decision;
- the amount or category of costs not expected to be recovered;
- the party expected to bear the shortfall;
- the proposed funding source; and
- the duration of the arrangement.

A charging decision should not leave the resulting cost allocation to be inferred later from utility prices, rates or reduced infrastructure expenditure.

Impact analysis for new regulatory obligations

Water service providers operate within overlapping environmental, public-health, drinking-water, wastewater, planning and economic-regulation frameworks. The Commission has identified that unclear objectives, roles and funding responsibilities may produce duplicated reporting, inconsistent signals, late changes to requirements and uncertainty about cost recovery. It has therefore raised earlier engagement, regulatory impact analysis and better sequencing of implementation.[11]

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[8] Ibid 13, box 3.
[9] Ibid 15.
[10] Local Government Association of Queensland, *Submission to the Productivity Commission National Water Reform Inquiry 2026* (2026) 4. This is stakeholder evidence and is relied on only as an illustration of the claimed funding consequences of Queensland's infrastructure-charging arrangements.
[11] Productivity Commission, *National Water Reform 2026: Water Services Reform Directions* (Interim Update, June 2026) 16.

QLS considers that significant new or changed regulatory requirements affecting WSPs should be subject to early and transparent impact analysis. That analysis should address:

- the purpose and legal basis of the proposed requirement;
- implementation and ongoing compliance costs;
- interaction with existing statutory, reporting and regulatory obligations;
- the timing of implementation;
- interaction with current pricing, monitoring or budget cycles; and
- responsibility for funding any material additional cost.

Queensland regulatory practice illustrates why this is necessary. In its review of Seqwater bulk-water prices, the QCA distinguished between existing obligations and new or changed binding statutory or regulatory obligations when assessing expenditure.[12] The QCA also retained review-event mechanisms for prudent and efficient costs arising from changes in law or government policy during a regulatory period.[13]

Review-event mechanisms may assist with later cost recovery, but they are not a substitute for consultation and impact analysis before a material new obligation is imposed.

Recommendation – Information Request 2 — Early coordination and transparent impact analysis

> QLS recommends that the Australian Government adopt nationally consistent principles requiring:
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> - early coordination between planning authorities, WSPs and, where relevant, economic regulators;
> - clear identification of servicing obligations, delivery responsibility, implementation timing and cost allocation;
> - transparent identification of the funding consequences of developer-charging decisions; and
> - early impact analysis before material new or changed regulatory requirements affecting WSPs are implemented.
>
> This is particularly important where a decision by one level or arm of government creates infrastructure or servicing consequences for a local government, WSP or other public authority. The decision-making process should identify those consequences and the proposed allocation of costs before the relevant commitment is made.
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> The principles should be implemented through existing frameworks and should inform, rather than impede, government decision-making.

[12] Queensland Competition Authority, *Seqwater Bulk Water Price Review 2022–26 (Final Report, March 2022)* 20, 23, 27, 32.
[13] Ibid 110–112.

Information Request 4 – Service delivery in regional and remote areas

QLS supports governments facilitating collaborative water service delivery arrangements where those arrangements respond to locally identified needs and improve access to capability, expertise and shared services.

QLS does not consider that a single institutional model should be prescribed for regional and remote providers. Depending on local circumstances, collaborative arrangements may include regional alliances, shared services or partnerships with larger providers. They need not involve compulsory amalgamation or the transfer of asset ownership.

Queensland's Water Regional Alliance Program provides an example of collaborative service delivery that enables smaller providers to share capability, expertise and procurement functions while retaining local ownership and responsibility for service delivery.[14]

QLS considers that these arrangements may assist smaller providers to address scale and capability constraints while retaining existing ownership and primary responsibility for service delivery. The suitability of any arrangement will depend on provider capability, community preferences, statutory responsibilities and the functions proposed to be shared.

Consistent with QLS's broader emphasis on implementation and accountability, governments should ensure that collaborative arrangements clearly allocate responsibility. Where functions are divided between governments, councils, utilities, regional bodies or contractors, the arrangement should identify responsibility for:

- planning, regulatory compliance and performance reporting;
- operations, maintenance, renewals and emergency response;
- customer protections and complaints; and
- capital and ongoing funding.

Funding arrangements should identify eligibility criteria, decision timeframes, the costs covered and responsibility for costs outside the grant, including continuing operating, maintenance, renewal and compliance costs.

Collaborative models affecting Aboriginal and Torres Strait Islander communities should be developed in genuine partnership with those communities. QLS considers that those arrangements should support self-determination, preserve community-controlled decision-making and clearly allocate responsibility for each material aspect of service delivery. They should also provide appropriate consumer protections, accessible complaint pathways and clear accountability.

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[14] Productivity Commission, *National Water Reform 2026: Water Services Reform Directions* (Interim Update, June 2026) 20; Productivity Commission, *National Water Reform 2024* (Inquiry Report No 105, 2024) 260–261; Local Government Association of Queensland, *Submission to the Productivity Commission National Water Reform Inquiry 2026* (2026) 2.

Information Request 5 — Sustainable funding for service improvements in small towns and communities

QLS supports linking an agreed BLOS with transparent and predictable community service obligation CSO payments where the efficient cost cannot reasonably be recovered from customers. [15] Responsibility for defining, costing, funding, delivering and monitoring the service should be allocated clearly.

Clear allocation of responsibility

A BLOS framework should identify:

- the government responsible for approving the required service outcomes;
- the provider responsible for delivery;
- the bodies responsible for health, environmental and economic oversight; and
- the government responsible for funding any approved shortfall.

At a minimum, that level of service should secure access to safe and reliable drinking water. This is particularly important where responsibilities are divided between water, health, infrastructure, housing, local government and central agencies. Fragmented arrangements can obscure responsibility and weaken accountability.[16]

Service outcomes should be linked to measurable indicators and, wherever practicable, reported through existing data systems. Reporting should cover providers of all sizes, including providers below national reporting thresholds, although the content and intensity of reporting should be proportionate to provider size, capability and regulatory risk.[17] Where performance information is used to determine eligibility for, or calculate, a CSO payment, that information should be subject to appropriate independent collection, oversight or verification.[18]

Transparent cost and funding decisions

QLS considers that CSO arrangements should distinguish between:

- the efficient cost of achieving and maintaining the agreed BLOS;
- the revenue reasonably recoverable from customers; and
- the residual amount government has decided to fund.

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[15] Productivity Commission, *National Water Reform 2026: Water Services Reform Directions* (Interim Update, June 2026) 22–24; Productivity Commission, *National Water Reform 2020* (Inquiry Report No 96, 2021) 11, 173–175; Productivity Commission, *National Water Reform 2024* (Inquiry Report No 105, 2024) 47, 172.

[16] Productivity Commission, National Water Reform 2020: Supporting Paper G — Urban Water Services: Regional and Remote Communities (2021) 44–45, 49; Productivity Commission, *National Water Reform 2024* (Inquiry Report No 105, 2024) 47–48.

[17] Productivity Commission, *National Water Reform 2020: Supporting Paper F — Urban Water Services* (2021) 40, 42–46; Productivity Commission, *National Water Reform 2020: Supporting Paper G — Urban Water Services: Regional and Remote Communities* (2021) 44–45; Productivity Commission, National Water Reform 2020 (Inquiry Report No 96, 2021) 25, 27.

[18] Productivity Commission, *National Water Reform 2020: Supporting Paper G — Urban Water Services: Regional and Remote Communities* (2021) 44–45; Productivity Commission, *National Water Reform 2024* (Inquiry Report No 105, 2024) 47–48.

Before changing an existing cross-subsidy, government should identify the subsidy, the affected customers and providers, the proposed transition and the replacement funding source. A cross-subsidy should not be removed before replacement funding is operational where that would jeopardise delivery of the agreed service outcome.

Assessments should also distinguish structural community-wide unaffordability from hardship affecting individual households, which may require separate concessions or rebates.[19]

Predictable and proportionate funding

CSO payments should be sufficiently predictable to support long-term asset management, workforce planning and procurement. The Commission has previously observed that non-recurrent funding can undermine long-term planning and has recommended that CSOs provide a predictable source of funding.[20]

Multi-year CSO agreements may remain subject to annual appropriation but should identify forward commitments, indexation, review dates and variation mechanisms. Material departures should be explained publicly.

Funding should not be confined to new capital works. It should also be capable of supporting operations, maintenance, asset renewal and workforce capability where these are necessary to achieve and sustain the agreed service outcomes. This would reduce the risk of infrastructure being funded without adequate provision for its life-cycle costs or the personnel required to operate and maintain it.[21]

CSO conditions may support improvements in governance, planning, reporting and collaboration, including shared services and regional procurement. However, they should not require amalgamation or transfer of ownership unless separately justified. Economic oversight and reporting requirements should also be proportionate to the payment, provider size and regulatory risk.[22]

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[19] Productivity Commission, National Water Reform 2024 (Inquiry Report No 105, 2024) 182; Productivity Commission, *National Water Reform 2026: Water Services Reform Directions* (Interim Update, June 2026) 14, 27–28. This supports the distinction between affordability in high-cost communities and targeted assistance for households experiencing hardship. The exact formulation remains QLS's synthesis.

[20] Productivity Commission, *National Water Reform 2020: Supporting Paper G — Urban Water Services: Regional and Remote Communities* (2021) 30, 33; Productivity Commission, *National Water Reform 2020* (Inquiry Report No 96, 2021) 174–175; Productivity Commission, *National Water Reform 2024* (Inquiry Report No 105, 2024) 47; Productivity Commission, *National Water Reform 2026: Water Services Reform Directions* (Interim Update, June 2026) 22–23.

[21] Productivity Commission, *National Water Reform 2020: Supporting Paper G — Urban Water Services: Regional and Remote Communities* (2021) 18, 30; Productivity Commission, *National Water Reform 2020: Supporting Paper I — Government Investment in Major Water Infrastructure* (2021) 32–33; Productivity Commission, *National Water Reform 2026: Water Services Reform Directions* (Interim Update, June 2026) 22-23; qldwater, Submission 24 to the Productivity Commission's National Water Reform 2026 inquiry, 3, 13.

[22] Productivity Commission, *National Water Reform 2020: Supporting Paper G — Urban Water Services: Regional and Remote Communities* (2021) 33, 35–37, 48, 50; Productivity Commission, *National Water Reform 2024* (Inquiry Report No 105, 2024) 47, 176.

Recommendation – Information Request 5

> QLS recommends the development of a nationally consistent governance framework for basic levels of service and CSO arrangements. The framework should clearly allocate responsibility, distinguish efficient-cost assessment from affordability and funding decisions, provide predictable and proportionate funding, and require public reporting of payment purposes, amounts and service outcomes.

Information Request 7 – Nationally consistent reporting on drinking water quality

Purpose and scope of national reporting

QLS supports greater national consistency in reporting drinking water quality outcomes. National reform should improve the comparability, accessibility and use of information already collected through state and territory regulatory systems, rather than create a parallel Commonwealth compliance regime for WSPs.

Queensland already has an established framework for drinking water quality management, monitoring, incident response and reporting. The Commission has also recognised that substantial monitoring and reporting already occurs across jurisdictions, but that reporting conventions, aggregation and public accessibility differ and detailed data are not centrally collated.[23] The principal national gap is therefore one of visibility and comparability, rather than the absence of jurisdictional oversight.

Nationally consistent information could assist governments to identify communities experiencing, or at risk of experiencing, drinking water quality and broader service deficiencies. It could also support more transparent infrastructure and capability funding by allowing risks to be compared and funded interventions to be evaluated. The Commission has recognised that nationally consistent data could help direct funding towards the greatest risks.[24]

Build on existing jurisdictional systems

QLS does not consider that comprehensive Commonwealth reporting obligations should initially be imposed directly on providers. The Australian Government should coordinate an intergovernmental process to:

- map existing jurisdictional reporting requirements;
- identify a limited national dataset;
- establish common definitions, statistical conventions and scheme identifiers; and
- provide for equivalent jurisdictional reporting to be recognised.

Where practicable, verified information should be transmitted from jurisdictional systems to a national custodian.

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[23] Productivity Commission, *National Water Reform 2026: Water Services Reform Directions* (Interim Update, June 2026) 22–23.
[24] Ibid 23.

The Queensland Water Directorate (**qldwater**) has observed that drinking water, public health and environmental obligations apply regardless of provider size or location, while uniform regulatory requirements may impose disproportionate costs on smaller and remote providers.[25] LGAQ has also identified workforce constraints across water quality management, engineering, operations, asset management and planning.[26]

Minimise duplication and implementation costs

Any national framework should adopt a “report once, use many times” approach. Providers should not be required to reproduce information already supplied through drinking water quality management plans, incident notifications, laboratory reporting or jurisdictional returns. Where possible, the national system should receive verified information directly from jurisdictional databases or laboratories. The Commission has identified the New South Wales database model, under which laboratories upload results to a system accessible by utilities and regulators, as an example of how repeated data entry may be reduced.[27]

Implementation should be staged and funded. Standardisation may require jurisdictions to reconcile definitions, units, scheme identifiers and historical datasets. Queensland’s Statewide Water Information Management system provides a useful example of progressive implementation that reduced the number of reported indicators.[28] The relevant principle is that national standardisation should rationalise and replace existing requirements, rather than add another reporting layer.

National indicators and institutional responsibility

The initial national dataset should be confined to information necessary to identify material public-health and service risks, including compliance outcomes, advisories and incidents, affected communities and corrective action.

Information should generally be capable of identification at the scheme or community level, as provider-wide aggregation may conceal persistent local issues. Health-based and aesthetic outcomes should also be distinguished so that published information is meaningful and not misleading.

State and territory regulators should retain primary responsibility for operational compliance, incident response and enforcement. The Commonwealth role should focus on coordination, data custodianship, publication and the use of nationally comparable information for policy and funding decisions.

QLS supports national reporting reform where it improves transparency and accountability, preserves jurisdictional regulation, avoids duplication and applies proportionate requirements to providers with different levels of capability.

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[25] qldwater, Submission 24 to the Productivity Commission’s National Water Reform 2026 inquiry, 13.
[26] Local Government Association of Queensland, Submission to the Productivity Commission National Water Reform Inquiry 2026 (2026) 3.
[27] Productivity Commission, *National Water Reform 2026: Water Services Reform Directions* (Interim Update, June 2026) 22–23.
[28] Ibid 23.

Information Request 8 – Role of Australian Government investment and funding programs

Conditions for Commonwealth funding

Where the Australian Government contributes funding, QLS considers that the core principles in the National Water Grid Investment Framework should operate as clear funding conditions. The assessment should identify the benefits relied upon, compare feasible alternatives, explain material assumptions and disclose how relevant criteria were applied. A sufficiently detailed business case and benefit-cost analysis should be completed, independently scrutinised and published before a construction commitment is made.[29]

The Commission has previously identified projects announced before business cases were completed, as well as projects funded without comprehensive benefit-cost analysis or despite unfavourable analysis. Early commitments may reduce governments' willingness to withdraw support where later analysis shows that a project is not worthwhile.[30] The Commission has also found that the weighting of National Water Grid criteria was not transparently explained.[31]

QLS recognises that governments may properly fund projects for broader strategic, equity or public-policy reasons. However, where funding is provided despite an adverse or marginal assessment, government should publish the reasons, identify the policy objective being pursued and explain the departure from ordinary assessment criteria.

Post-construction responsibility and funding

QLS supports the Commission's focus on operation and maintenance costs after construction. Funding arrangements should also address the continuing legal, regulatory and institutional obligations associated with owning and operating major water infrastructure.

Depending on the project, continuing obligations may include approvals compliance, environmental monitoring and offsets, land and cultural heritage requirements, reporting, incident response and ongoing engagement.

The updated draft National Water Agreement provides that, before committing funding for major water infrastructure, governments are to demonstrate through a business case that the proposed project is the most effective means of addressing the identified issue or achieving the stated objectives, and is assessed as value for money, deliverable and sustainable. Business cases should also give due consideration to, and identify responsibility for, operation and maintenance costs over the lifetime of the proposed infrastructure.[32] The Commission has separately observed that subsidised investment may create future liabilities for asset replacement and ongoing maintenance.[33]

QLS considers that business cases and funding agreements should identify:

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[29] Productivity Commission, *National Water Reform 2020* (Inquiry Report No 96, 2021) 189–193; Productivity Commission, *National Water Reform 2024* (Inquiry Report No 105, 2024) 175–177.
[30] Productivity Commission, *National Water Reform 2020* (Inquiry Report No 96, 2021) 189–191; Productivity Commission, *National Water Reform 2020: Supporting Paper I — Government investment in major water infrastructure* (2021) 10–12.
[31] Productivity Commission, *National Water Reform 2024* (Inquiry Report No 105, 2024) 181-182.
[32] Department of Climate Change, Energy, the Environment and Water, *Updated Draft National Water Agreement*, cls 2.2.1–2.2.2, 2.3.9.
[33] Productivity Commission, *National Water Reform 2024* (Inquiry Report No 105, 2024) 119.

- the entity responsible for material post-construction obligations;
- the source of funding available to meet those obligations;
- the allocation of life-cycle costs between governments, service providers, users and other beneficiaries;
- the relationship with any applicable state pricing or regulatory process; and
- a mechanism for review where legal, regulatory, operational or cost assumptions materially change.

This does not mean that the Australian Government should meet all continuing costs. Rather, before committing capital funding, it should be satisfied that responsibility is clearly allocated and that the proposed operator has a credible means of meeting its obligations.

A general state or territory commitment to meet operation and maintenance costs may be insufficient unless the responsible entity, funding source and required capability are identified.[34]

Funding agreements should therefore provide for proportionate post-completion monitoring and review. Depending on the project, this may include proportionate assurance reporting, publication of service outcomes and review of whether continuing obligations remain adequately funded.

Regional, remote and First Nations capability

These issues are particularly significant in regional, remote and First Nations communities. New infrastructure may increase the need for qualified operators, technical assistance, monitoring, chemicals, energy, maintenance contracts, regulatory reporting and asset-management systems.

The Commission has identified continuing difficulties in obtaining the expertise and resources required to operate and maintain resilient water systems in many regional towns and remote communities. It has also observed that existing grant arrangements may lack predictability and fail to cover operation and maintenance costs.[35]

qldwater and the Australian Water Association have both warned that capital investment may proceed without adequate provision for operating costs, skilled personnel and training.[36] These matters should be addressed during project assessment, not after the infrastructure becomes operational. Commonwealth funding should be capable of supporting workforce development, operator training, technical assistance, shared services and compliance capability where these are necessary to sustain the funded service.

QLS also supports further consideration of a targeted essential-services component within the Remote Jobs and Economic Development program. The Commission has suggested that such a component could connect local capability with long-term employment and training supporting

[34] Productivity Commission, *National Water Reform 2026: Water Services Reform Directions* (Interim Update, June 2026) 30.
[35] Productivity Commission, *National Water Reform 2026: Water Services Reform Directions* (Interim Update, June 2026) 22.
[36] qldwater, Submission 24 to the Productivity Commission's National Water Reform 2026 inquiry, 13; Australian Water Association, Submission to the Productivity Commission National Water Reform Inquiry 2026 (2026) 12, 18–19.

community-led essential-service delivery.[37] Any program should be developed with affected communities, support enduring local capability and avoid transferring unsupported legal or operational responsibilities to small providers.

Recommendation - Information Request 8

QLS recommends that the Commission support:

- making the core National Water Grid Investment Framework principles express conditions of Commonwealth funding;
- completion and publication of major project business cases and benefit-cost analyses before unconditional construction commitments are made;
- publication of reasons where funding is provided despite a project not satisfying ordinary assessment criteria;
- clear allocation and funding of material post-construction legal, regulatory, operational, maintenance and renewal obligations;
- proportionate post-completion monitoring and public reporting of service outcomes; and
- the use of Australian Government programs to support enduring workforce, technical and institutional capability, particularly in regional, remote and First Nations communities.

If you have any queries regarding the contents of this letter, please do not hesitate to contact our Legal Policy team via policy@qls.com.au or by phone on

Yours faithfully

Peter Jolly
President

[37] Productivity Commission, *National Water Reform 2026: Water Services Reform Directions* (Interim Update, June 2026) 30.