



National water reform 2026: Water services reform directions

Interim update 1

Executive Summary

The primary constraints on secure, resilient and sustainable water services in remote Australia are funding certainty, local capability including asset knowledge, and cross-agency accountability, not provider scale. Without funding these foundations, governments pay anyway, through the health, housing and social services that absorb the consequences. Accordingly, national reform should:

- Treat cost-reflective pricing as a costing tool, not the primary reform mechanism, where services are predominantly government funded.
- Define a nationally consistent Basic Level of Service (BLOS) and fund it through transparent, multi-year community service obligations.
- Reform accountability around outcomes, to the tap, through integrated community planning rather than agency boundaries.
- Build local capability and use technology to augment, not replace, local operators.
- Make national drinking-water reporting mandatory at the community level.
- Design Commonwealth and state funding around remote operating conditions rather than metropolitan grant assumptions.

Prepared for: Productivity Commission

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1. Summary

This submission responds to the water services reform directions, focusing on regional and remote areas (section 3 and Information Requests 4 and 5, with further responses to Information Requests 7 and 8). It draws on direct experience leading the delivery of water and sewerage services to 72 remote Northern Territory communities through Indigenous Essential Services.

2. Recommendations

Recommendation 1. Foundational funding certainty, not pricing

Cost-reflective pricing, the backbone of the urban directions, has limited application where there is no commercial customer base to price. In remote communities, services depend primarily on sustained government funding and capital grants, and their security depends on the adequacy and certainty of that funding over time. The Northern Territory demonstrates this: Indigenous Essential Services delivers electricity, water and sewerage to 72 remote communities and 79 outstations, and customer revenue meets only a fraction of the cost of delivery, most of it from electricity, with water and sewerage charges raising just \$9.3 million in 2023–24¹. The balance, including the long-term renewal of the asset base, depends on government funding, and, as the Commission's own evidence on the age and condition of remote infrastructure indicates, that funding has not kept pace with asset renewal needs.

Cost-reflective pricing should still be used to estimate the efficient cost of the agreed service level and make subsidies transparent. The point is not to abandon cost discipline, but to recognise that, in many remote systems, the efficient cost cannot be recovered from users without defeating the affordability and equity objectives of the service.

We recommend the final report establish a transparent public funding framework with adequate multi-year outlook as the precondition for resilient remote services: define the basic level of service, estimate the efficient whole-of-life cost of delivering it, publish the gap between recoverable revenue and efficient cost, and fund that gap through a durable community service obligation or equivalent appropriation. That framework preserves cost discipline while anchoring the community service obligation to a defined standard. Without funding these foundations, governments pay anyway, through the health, housing and social services that absorb the consequences, without improving the health, social and economic outcomes of remote and regional communities.

Recommendation 2. Build delivery models around capability and funding, not scale

The interim directions canvass amalgamation, alliances and shared services to capture scale economies. Scale can help access specialist expertise and spread fixed costs, but in remote contexts the decisive factors are local operator capability, workforce continuity and stable funding.

We recommend the Commission frame service-delivery reform around what actually sustains delivery on the ground, capability-building, local employment and funding certainty, and pursue structural consolidation only where it demonstrably improves those, not as an end in itself. That capability is broader than doing the work: it includes understanding water

¹ Indigenous Essential Services Pty Ltd (2024), *Annual Report 2023–24*, Power and Water Corporation.
https://www.powerwater.com.au/data/assets/pdf_file/0031/376654/PWC_IES-Annual-Report_23-24.pdf

quality and its risks, acting preventively, and managing the assets and data on which safe services depend.

Recommendation 3. Integrated community planning, accountability to the tap

Many remote service failures originate outside the water provider's control, in the interface between water, housing, health and land. Water delivered only to the connection point, and housing disrepair that drives water-access failures, are not utility-performance problems; they are accountability gaps between agencies, as the Commission's own evidence shows.

In urban systems a household can simply connect, because planning has already provided the capacity and the obligations. In a remote community it cannot: whether a house has safe water is decided when housing, water, health, land and power are planned together, or not at all. Coordination itself cannot be made accountable; outcomes, owners and plans can.

We recommend the final report make integrated community planning the instrument of accountability for remote and discrete communities: one plan per community, prepared with the community and binding every service agency, with a named party answerable for its delivery and each agency's obligations agreed, published and reported against. Most residents are tenants who own no part of the system, so responsibility must run to a working tap in the house, not end at the property boundary.

Recommendation 4. Make fit-for-purpose technology the default for remote systems

Remote systems fail when they are designed to urban assumptions: resident specialists, short supply lines and ready spare parts.

We recommend technology selection for remote water systems be governed by what can be operated and maintained locally at sustainable cost: proven treatment processes matched to the risk profile of the source, standardised across a provider's systems so that skills and spares transfer between communities, and affordable over the whole asset life rather than only at construction.

There is also a genuine technology opportunity, pointed in the right direction: remote monitoring and telemetry should extend thin local workforces rather than substitute for them, providing early warning on water quality and asset condition and remote specialist support to local operators. Chosen this way, technology reinforces the local capability on which Recommendation 2 rests, rather than adding assets that fail unstaffed.

Recommendation 5. Design funding criteria and timeframes for remote reality

Grant criteria, staging and timelines designed for metropolitan or commercial contexts routinely fail remote delivery: short timeframes, narrow criteria and annual cycles that cannot accommodate remoteness, weather windows and thin local markets.

We recommend funding be designed for the conditions, with longer and more flexible timeframes, criteria that reward fit-for-purpose and place-based solutions, and broadened eligibility, consistent with the enabling factors the Commission itself cites. This should be coupled with resourced self-determination, community-controlled delivery, sustained capability and Indigenous data sovereignty, so that communities are not left carrying responsibility without the resourcing, data and authority to exercise it.

Response to Information Requests

4: Service delivery in regional and remote areas

The consolidated single-provider model used in the Northern Territory, where Power and Water delivers to 72 remote communities through Indigenous Essential Services, shows both the strengths of consolidation, specialist capability, coordinated asset management and a single accountable provider, and its limits, namely that consolidation does not by itself resolve funding adequacy, cross-agency fragmentation or local capability.

The most consequential reforms are therefore not primarily structural. They are a stable, adequate, multi-year funding framework; sustained investment in local operator capability and employment; an accountable line of responsibility across agencies to the household; and funding criteria and timeframes designed for remote conditions.

The interim update itself illustrates what consolidated capability can deliver: it cites Power and Water's annual drinking water quality reports as continuing to 'set the benchmark for good practice', reporting depth sustained across some of the smallest and most remote systems in the country². Where structural reform has worked elsewhere, it has worked in this order. Western Australia's 2023 transfer of services in 141 remote Aboriginal communities to Water Corporation and Horizon Power paired the structural change with an initial \$200 million upgrade program and a staged, decade-long pathway to full regulatory compliance: funding and standards first, with structure in support³.

5: Sustainable funding for service improvements in small towns and communities

On establishing a basic level of service (BLOS) for small towns and communities: our support for a defined BLOS comes from experience delivering water and sewerage services to 72 remote communities. The absence of an agreed standard means there is no benchmark to cost services against, no basis to size the funding needed to close gaps, no consistent way to judge performance, and no shared reference point for the agencies and communities involved. A defined remote BLOS would have materially strengthened every one of those tasks, and over the years many professionals working in remote areas have already defined much of what is required; development need not start from scratch.

The BLOS should set a nationally consistent minimum outcome that is delivered through tiers scaled to community size and remoteness. The standard must also explicitly reach communities currently defined out of it, including homelands and settlements below jurisdictional reporting and funding thresholds; a BLOS that excludes the most exposed communities simply formalises the gap. Public health and safety are non-negotiable across every tier, with drinking water managed to the Australian Drinking Water Guidelines and wastewater to environmental and health requirements, while reliability and customer-service standards scale by tier.

² Productivity Commission (2026), *National Water Reform 2026: Water services reform directions*, interim update, June 2026, p. 27.

³ Water Corporation (2023), 'Transfer of remote power and water a licence for success', media release, April 2023; Office of the Auditor General WA, *Delivering Essential Services to Remote Aboriginal Communities – Follow-up*.

Three characteristics define this delivery context and should shape any tiered standard.

- **Supply:** stand-alone systems are not connected to a wider network and typically depend on a single water source, generation system or treatment process. They carry limited redundancy and capacity, so interruptions take longer to restore, security is lower, and building in resilience requires disproportionate capital.
- **Location:** remoteness drives both cost and access, with many communities isolated for parts of the year by seasonal road closures. The Australian Bureau of Statistics remoteness structure provides an established classification for identifying remote and very remote communities for this purpose.
- **Size:** small communities rarely hold the technical skills or equipment that service delivery requires, so both must be mobilised from elsewhere at significant cost. The smaller and more remote the community, the more these factors compound, and the stronger the case for a standard that flexes delivery while holding the outcome constant. Community size is best measured by service connections rather than population, because remote population data is mobile and unreliable, and connections align with how services are delivered and costed and with established industry practice.

The barriers the Commission lists are real and familiar: service levels vary between and within jurisdictions precisely because standards are absent; infrastructure is often old and in poor condition; and the cost of lifting services is significant. A defined BLOS is the tool that addresses them, because it becomes the benchmark against which current service and infrastructure gaps can be measured and the funding needed to close them can be sized. Service adequacy, unlike many values in water, is genuinely measurable, and measuring it against an agreed standard is what turns a recognised entitlement into a funded obligation. That benchmark only works if performance against it is visible: the new national performance reporting for providers below 10,000 connections should be extended to publish drinking-water-quality results, health-based exceedances, advisories and corrective actions, so that small, remote and First Nations systems are no longer invisible in national reporting (we expand on this in our response to Information Request 7 below). This requires coordination across the agencies that deliver in communities together: water, housing, health and energy.

On sustainable funding: services to communities without a commercial base depend on a community-service-obligation arrangement, and its effectiveness turns on design. From the Indigenous Essential Services experience, the priorities are to fund to the BLOS; to provide multi-year certainty rather than annual cycles, which cannot sustain a basic service or absorb shocks; and to design payments to remain resilient to climate variability, extreme weather and input-cost shocks, which fall hardest on remote, stand-alone systems. Affordability should be defined on a social-equity basis, with a nationally consistent definition to support transparent CSO calculation and targeted, funded support, so that cost-reflectivity improves efficiency without deepening disadvantage. Western Australia's remote transfer illustrates the funding architecture we recommend: upgrades funded through the state's \$350 million Remote Communities Fund against a staged, ten-year pathway to regulated service standards, rather than annual grant cycles⁴.

⁴ Water Corporation (2023), 'Transfer of remote power and water a licence for success', media release, April 2023; Office of the Auditor General WA, *Delivering Essential Services to Remote Aboriginal Communities – Follow-up*.

7: Nationally consistent reporting on drinking water quality

No institution currently owns drinking-water outcomes nationally, and regulatory force is weakest where need is greatest. Our response to Information Request 5 argued that the new national performance reporting for providers below 10,000 connections should be extended to publish drinking-water-quality results, health-based exceedances, advisories and corrective actions. We restate it here because it answers this information request directly. We support enacting national reporting standards in legislation, including as National Water Information Standards under the Water Act 2007 (Cth): two decades of voluntary application of the Australian Drinking Water Guidelines have produced the inconsistency the Commission documents, and a further voluntary framework will not resolve it. The Bureau of Meteorology's existing information mandate under Part 7 of the Water Act provides a natural institutional home, answering the Commission's question about which Commonwealth agency should hold data collection, custodianship and coordination. The cost of the current gap is already visible at the highest level: the Commission's own Closing the Gap reporting cannot assess progress against Target 9b (essential services to discrete Aboriginal and Torres Strait Islander communities) for lack of data⁵.

The standards should require reporting at the level of the community served, not aggregated across supply systems, because aggregation is precisely what hides failing small systems; they should cover performance against ADWG health-based values, boil-water alerts, do-not-drink notices and corrective actions. The Commission's own recognition of Power and Water's reporting as the benchmark for good practice demonstrates this reporting is deliverable, including by a consolidated provider serving very small remote systems. New Zealand demonstrates the same at national scale: under the Water Services Act 2021, nearly 2,000 registered supplies report to a single national regulator, Taumata Arowai, which publishes an annual Drinking Water Regulation Report and applies quality-assurance rules proportionate to supplies serving 500 or fewer people⁶. That is national consistency with a floor that small systems can meet. Finally, reporting standards should be co-designed with community-controlled organisations and give effect to Indigenous data sovereignty, consistent with Recommendation 5: communities should hold and govern the data on which their services are judged.

A caution accompanies this support: legislation is the right instrument for information, not for service outcomes. Queensland's binding drinking-water statute did not prevent an 11-month boil-water alert at Woorabinda, which was resolved in January 2026 by \$36 million of capital works, not by enforcement⁷. Tasmania cleared 35 longstanding alerts and do-not-consume notices the same way, through dedicated capital programs⁸. Outcome gaps track remoteness, system size and disadvantage, not the legal force of the applicable regime. The remedy for poor outcomes in small and remote systems is the recurrent operations, maintenance and operator-capability funding described in our responses to Information Requests 5 and 8. In short: legislate the information, fund the outcome.

⁵ Productivity Commission (2025), *Closing the Gap Annual Data Compilation Report*, July 2025. <https://www.pc.gov.au/closing-the-gap-data/annual-data-report>

⁶ Water Services Authority – Taumata Arowai (2025), *Drinking Water Regulation Report 2024*.

<https://www.taumataarowai.govt.nz/about-us/reports-and-publications/water-services-insights-and-performance>

⁷ Queensland Government (2026), 'Critical works delivered to restore clean drinking water supply in Woorabinda', ministerial media statement, January 2026. <https://statements.qld.gov.au/statements/104398>

⁸ TasWater, Regional Towns Water Supply Improvement Program. <https://yoursay.taswater.com.au/regional-towns-water-supply-project-stage-4>; the removal of 35 alerts and notices, including 28 under the 24 Glasses program between 2017 and 2020, is reported in Utility Magazine, 'Statewide upgrade receives accolade'. <https://utilitymagazine.com.au/statewide-upgrade-receives-accolade/>

8: Role of Australian Government investment and funding programs

We endorse the proposal to target a component of the Remote Jobs and Economic Development program towards establishing long-term employment in community-led essential services delivery. This is Recommendation 2 given a funding vehicle: across 72 communities, the most persistent constraint we observed through Indigenous Essential Services was not provider structure but local operator capability and workforce continuity. For the component to work, positions must be ongoing rather than project-funded, paired with accredited training pathways, and designed jointly with the service provider so that employment and service delivery reinforce each other. Canada's long-running Circuit Rider Training Program shows what sustained Commonwealth investment in this model looks like: Indigenous Services Canada funds experienced operators to travel to First Nations communities and mentor local operators on their own systems, backed by more than CAD 12 million a year and 24-hour access to qualified support⁹. Commonwealth funding conditions more broadly should reflect Recommendation 5: multi-year commitments, criteria that accommodate remote delivery conditions, and eligibility that reaches homelands and communities below current thresholds.

About In-Depth Strategy

In-Depth Strategy is an independent advisory practice on water governance, regulation and reform, led by Amy Dysart, who has spent more than twenty years inside water decision-making. As Executive Director Water Resources for the Northern Territory, she was the government's principal adviser on water allocation, licensing, regulation and policy. In senior executive roles at Power and Water Corporation she led the strategy, governance and compliance behind water and sewerage services to 72 remote Aboriginal communities through Indigenous Essential Services. She is a Non-Executive Director of the Australian Water Association.

We would welcome the opportunity to provide further input at any hearings.

In-Depth Strategy intends to lodge a further submission to the Commission's forthcoming interim update on the National Water Initiative (water resources), addressing catchment-scale governance and the gap between recognised and enforceable water values. We note it here so the two submissions can be read together.

⁹ Indigenous Services Canada, Circuit Rider Training Program. <https://www.sac-isc.gc.ca/eng/1313424571273>.