



Every Queensland
community deserves
to be a liveable one

24 July 2026

Ms Joanne Chong
Commissioner
Productivity Commission
National Water Reform 2026
Waterreform2026@pc.gov.au

Dear Ms Chong,

RE: Productivity Commission's Inquiry into National Water Reform 2026 - Preliminary Assessment (Interim update 2)

The Local Government Association of Queensland (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: Preliminary assessment - Interim update 2* (interim update) released for public consultation on 6 July and builds on the LGAQ's previous submissions dated 10 July and 8 May 2026. The recommendations from previous submissions are detailed in Attachment 1.

Consultation with Queensland councils has highlighted that while the National Water Initiative (NWI) continues to deliver 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.

Queensland councils play a critical role in providing water services ranging from planning and pricing to the delivery of town water and wastewater services and they do this while navigating a challenging financial environment, earning just 3 per cent of total taxation revenue at the same time being asked to provide an ever-increasing number of services as providers of last resort, with costs shifting onto councils from other levels of government or private enterprise.

The 2024 Queensland Audit Office report into local government financial sustainability found local governments continue to remain heavily reliant on external funding sources to deliver the services that their communities rely upon¹. The QAO has reported annually regarding the majority of Queensland councils being at a moderate to high risk of not being financially sustainable.

Since the 2004 National Water Reform commenced, the NWI has delivered important reform benefits, noting that full implementation remains incomplete and uneven.

Progress towards achieving against the recommendations made in the LGAQ's prior submission to the Productivity Commission (April 2024) has been welcome. This includes progress against local government priorities such as

- Importance of engaging with First Nations councils
- Greater transparency and clarity in the new NWI
- Common principles to guide investment
- Engagement with local government in the development on pricing principles
- Support and guidance for the urban water sector

¹ [Local Government 2024](#)



In terms of Queensland's progress towards meeting the outcomes and objectives of the 2004 National Water Initiative, the LGAQ and Queensland councils continue to work closely with the Queensland State Government in addressing issues critical to the sector.

Since 2024, the Queensland State Government has prioritised water planning and water security, including through the SEQ Water Security Program, a 30-year plan published by Seqwater that provides council-owned distributor-retailers greater certainty over bulk water supply.

The LGAQ has also been consulted on the forthcoming Queensland Water Security Plan, expected in 2026, which will replace the Queensland Water Strategy and address drought, climate variability, growth and infrastructure constraints.

Furthermore, in the context of implementation, it is critical to recognise Queensland's distinctive local government context, with 77 local councils, many with highly dispersed communities, significant infrastructure responsibilities, small provider scale, and substantial regional and remote service delivery challenges.

Councils require funding, capability and partnership support to meet national reform expectations and basic service standards and it is therefore imperative that the Productivity Commission's final report avoids recommendations that could lead to further cost-shifting to local councils and supports practical, locally fit-for-purpose reform implementation.

Importantly, future national water reform must recognise local government as an essential delivery partner and ensure that any renewed reform agenda is supported by clear responsibilities, proportionate regulation, sustainable funding, improved coordination and practical implementation support.

As highlighted in previous submissions, notably – Interim report, 10 July, the LGAQ maintains National Water Reform should centre on three critical themes, including:

- i. The key role that local government plays in water services in Queensland as well as the historical funding decisions that have led to a widening gap between what it costs for councils to deliver secure, resilient and sustainable water services and what they can recover while keeping water prices affordable for their communities.
- ii. The importance of collaborative partnerships to encourage Federal and State governments to engage directly and effectively with councils, including First Nations councils in implementing water services reform including setting a basic level of service expectation and building skills and capacity in the water sector.
- iii. Funding local government as delivery partners to achieve secure, resilient and sustainable water services, through a community service obligation for small water service providers and by investing in trunk infrastructure for growth and by providing ongoing funding for renewals to address the water and wastewater infrastructure cliff.

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 ongoing barriers to local government achieving reform objectives. This was explored in depth in the recently published Last Drop Report, commissioned by the LGAQ to the scale of the infrastructure cliff.²

Recognising the diversity of challenges and opportunities of Queensland councils, the LGAQ urges the Commission to also consider any individual views provided by councils within their own submissions made in response to the Inquiry. This submission is supported by the policy positions of Queensland

² [The Last Drop Report \(2026\)](#).



councils as contained in the LGAQ Policy Statement (Attachment 2) and previous LGAQ Annual Conference Resolutions (Attachment 3).

Thank you again for the opportunity to provide feedback on the Productivity Commission's Inquiry – National Water Reform 2026 – interim update 2. The LGAQ remains committed to working alongside the Federal and State Government to progress this critical agenda.

Should you have any further questions, please contact Crystal Baker, Manager – Strategic Policy
or Josephine Raftery, Lead – Water and Wastewater Infrastructure

Yours sincerely,

Alison Smith
CHIEF EXECUTIVE OFFICER

Attachment 1: LGAQ Recommendations from Prior Submissions

Table 1 - LGAQ recommendations from prior submissions

LGAQ Submission: Productivity Commission Inquiry – National Water Reform 2026 (8 May 2026)	In response to this consultation, the LGAQ made 4 recommendations, summarised below: • Recommendation 1: The LGAQ recommends 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. • Recommendation 2: The LGAQ recommends the Productivity Commission 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. • Recommendation 3: The LGAQ recommends the Productivity Commission considers the need for a partnership across all levels of government to address workforce skills shortages. • Recommendation 4: The LGAQ recommends the Productivity Commission 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.
LGAQ Submission: National Water Reform 2026: Water services reform directions (Interim update 1) (10 July 2026)	In response to this consultation, the LGAQ 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.

Table 1 - LGAQ recommendations from prior submissions

	• 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.
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Table 1 - LGAQ recommendations from prior submissions

	• 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.
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Attachment 2: 2025 LGAQ Policy Statement

The 2025 LGAQ Policy Statement³ 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 *Productivity Commission's Inquiry into National Water Reform 2026 – Preliminary Assessment (Interim update 2)*.

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.
- 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.

³ [2025 LGAQ Policy Statement](#)



- 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.
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Attachment 3: LGAQ Annual Conference Resolutions

The following resolutions have been passed by Queensland councils at recent LGAQ Annual Conferences and are relevant to the *Productivity Commission's Inquiry into National Water Reform 2026 – Preliminary Assessment (Interim update 2)*, alongside water matters more broadly.

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.

Resolution 42 (2021): Ergon Energy – Response Time for Power Connections to Development Projects

That the LGAQ calls on the State Government, as the primary stakeholder in Ergon Energy, to work with the company to improve responsiveness in respect to councils' strategic priorities.

Resolution 42 (2022): Regions Becoming More Resource Independent Through Efficient Use and Re-use of Wastewater

The LGAQ calls on the State Government to:

1. Update and utilise wastewater reuse and recycling markets and technologies that have already been analysed and exist to enable the use of recycled water across the State; and
2. Look at governmental support and incentives for the utilisation of reclaimed wastewater.

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

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 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 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 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

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 22 (2024): Implementation funding for the Queensland Water Strategy

That the LGAQ calls on the State Government to establish a dedicated funding pipeline / program to support the implementation of initiatives (including planning studies, asset condition assessments and capital and maintenance infrastructure works) identified through the Urban Water Risk Assessment Project and Queensland Water Regional Alliance Programs, which form a critical component of Queensland's Water Strategy.

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 96 (2024): Adopt Infrastructure Australia Assessment Framework

That the LGAQ calls on the State Government to adopt Infrastructure Australia's Assessment Framework, to align with the expected economic or design life and incorporate long-term modelling to ensure accurate benefit projections over the asset life, ensuring a comprehensive evaluation of costs and benefits.

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.
