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Productivity Commission

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Dear Commissioner,

Subject: Response to *Interim Update 2: Preliminary Assessment* — Re-establishing National Governance and Aligned Statewide Frameworks

Executive summary

Stormwater 2030 welcomes the Productivity Commission's (PC) *Interim Update 2: Preliminary Assessment*. We acknowledge the Commission's inclusion of participant feedback regarding governance silos, fragmented accountability, and urban water reform.

In our initial submission, Stormwater 2030 outlined an operational asset lifecycle framework. Drawing on the **Better Standards** framework from the *NSW Stormwater Policy Platform*, we present an expanded, multi-tiered **National Technical Lifecycle Framework**.

The PC's preliminary rating in Table 6 categorising progress on **Water reuse, end-use efficiency, water-sensitive urban design (WSUD), and innovation** as "**Largely Achieved**" is fundamentally flawed. Australia's urban stormwater sector remains a **system in crisis**. Achieving true national water security requires expanding the technical framework to incorporate an independent **National Governance Hierarchy**—modeled on the former National Water Commission (NWC)—with **Aligned Statewide Governance Hierarchies** in every jurisdiction, **Integrated Guidance**, and **Harmonised Practice**.



1. Response to information request 1: progress, gaps and reversals

PC Query: *We are seeking overall feedback on the PC's interim assessment, including evidence of where jurisdictions have made progress, and where progress has been limited, slower than expected or reversed since 2024.*

Reassessing the 'largely achieved' rating for urban WSUD and innovation

- **Downgrade assessment rating:** Stormwater 2030 calls on the Commission to downgrade the rating in Table 6 from 'largely achieved' to 'partially achieved' or 'unachieved'.
- **Address institutional separation:** Responsibility for the urban water cycle is fractured between local councils and water utilities. This prevents joint investment and integrated water cycle optimization.
- **Integrate infrastructure planning:** Treat 'blue' and 'green' infrastructure as a single policy issue. Cohesive Blue-Green Infrastructure (BGI) requires aligned governing departments and funding streams.
- **Deliver integrated water management:** Establish operational examples of Integrated Water Management (IWM). Current supply, recycling, and waterway health efforts remain isolated and piecemeal.
- **Maintain WSUD assets:** Ensure Water Sensitive Urban Design (WSUD) devices are monitored. Many systems are neglected, which undermines the public benefit case for these mandates.
- **Enforce compliance nationwide:** Adopt compliance programs similar to Blacktown City Council. Most other councils lack regulatory oversight, allowing private landowners to abandon WSUD devices.
- **Evidence of Reversal & Leadership Collapse:** Progress was further derailed when national stormwater leadership suffered a major setback due to the governance collapse of the sector's peak body and the financial failure of SQIDEP's unsustainable funding model.
- **Fix the funding paradigm:** Index the NSW Stormwater Management Service Charge (SMSC) to CPI. Frozen rates force reactive repairs that cost much more than proactive maintenance.
- **Emergency Rate Variations (SRVs):** To plug multi-million dollar infrastructure backlogs (e.g., North Sydney Council's \$157M deficit), councils are repeatedly forced to seek Special Rate Variations (SRVs) through independent regulators (IPART).



2. Accountable governance: from national oversight to state execution

PC Query (Information Request 2): *Are environmental and other public benefit outcomes effectively specified to facilitate accountability in water management? How could accountability for outcomes be improved?*

A. The national imperative: a National Water Commission approach

To restore true accountability across urban water and stormwater systems, Australia must move beyond fragmented inter-governmental committees. Accountability for outcomes requires an **independent, national coordination and oversight body—modeled on the former National Water Commission (NWC)**.

An independent national coordination body should be empowered to:

1. **Drive Independent Auditing and Benchmarking:** Provide rigorous, non-partisan evaluation of state and local government performance against agreed National Water Agreement (NWA) outcomes, ending the reliance on self-reporting.
2. **Standardise Technical and Lifecycle Frameworks:** Maintain and update national technical manuals—including **SQIDEP** (product verification), **ARR** (hydrology), **LSCM** (lifecycle costing), and the **"Yellow Book"** (maintenance operations).
3. **Condition Federal Funding on Performance:** Act as an authoritative advisor to the Commonwealth, ensuring federal infrastructure grants (e.g., National Water Grid Fund, Green Treasury Bonds) are released only to jurisdictions that demonstrate cost-reflective pricing, uncapped operational levies, and modern asset data registers.

B. State-level execution: aligned statewide governance hierarchies

While national coordination establishes accountability and technical consistency, **States and Territories hold the legislative power to execute reform**. Every state must enact an **aligned Statewide Governance Hierarchy** that embeds the national framework into local planning, environmental, and water service legislation.

To resolve state-level fragmentation (where responsibilities in NSW alone are currently split across 14 Ministers, 30+ agencies, and 128 councils), each state must deliver three core pillars:

1. Single portfolio responsibility

- **Single Responsible Minister:** Consolidate cabinet oversight under a single Minister (e.g., Minister for Water Infrastructure and Waterways) to eliminate departmental runarounds and establish clear political leadership for urban waterway health.



- **Designated Lead Department:** Nominate a single coordinating department (such as DCCEEW) to enforce centralized departmental directives across state infrastructure providers (including Transport for NSW).
- **Enduring Collaboration Mechanism:** Establish a statutory Steering Committee institutionalising permanent collaboration between councils, water utilities (e.g., Sydney Water, Hunter Water), transport authorities, and industry bodies.

2. Statutory planning alignment

- **Statewide Governance Hierarchy:** Develop an integrated state hierarchy—from high-level strategy down to mandatory implementation guides and open-source CAD/BIM standard engineering drawings.
- **Parity with Water and Sewer Utility Assets:** Elevate urban stormwater and green infrastructure to the status of a recognized public utility, matching the statutory clarity and design enforceability long applied to potable water and sewerage networks.

3. Harmonised practice and local controls

- **Harmonised Model DCPs:** Eliminate the fragmented "128-DCP Maze" by rolling out standardized local planning controls modeled on established frameworks (such as Queensland's **Water by Design**).
- **Deemed-to-Comply Pathways:** Standardize approval pathways for residential and infill developments to reduce assessment delays, lower housing construction costs, and ensure consistent green infrastructure performance across all local government areas.

3. Comprehensive national technical lifecycle framework

By combining independent national oversight with state-level execution, the **National Technical Lifecycle Framework** operates across four integrated tiers:

Tier / Phase	Responsible Tier	Scope & Core Objective	Policy / Technical Metric
Tier 1: National Oversight	Federal / NWC Body	Independent auditing, national strategy, & cross-jurisdictional reporting	National Water Agreement (NWA) Audits & NWC Performance Benchmark Reports
Tier 2: Statewide Hierarchies	State Lead Agencies	Statutory policy hierarchy matching state legislation & open-source standard drawings	Standard Instrument Local Environmental Plans & CAD/BIM portals
Tier 3: Harmonised Controls	Local / Regional	Standardized local planning rules & model Development Control Plans	Water by Design model DCP clauses & "deemed-to-comply" pathways
Phase 1: Design & Verification	National / State	Mandatory hydrological engineering & proprietary device testing	ARR, MUSIC modeling, LSCM protocol, & mandatory SQIDEP verification
Phase 2: Construction & Handover	State / Local	Contractor compliance & elimination of "orphan assets"	"Blue Card" civil contractor certification & digital asset register enrolment
Phase 3: Operations & Maintenance	Local Councils	Professionalised maintenance & IoT digital twin monitoring	Digitized "Yellow Book" manual, "Yellow Card" inspector accreditation, & IoT sensor networks



4. Response to information request 2: urban water reform and interception

PC Query: *We are seeking specific feedback on Urban Water Reform outcomes... experiences with policies and programs that jurisdictions have implemented... and what major interception activities are not licensed or adequately recorded.*

A. Ending 'asset ignorance' and unrecorded urban interception

- **Urban Stormwater as Unrecorded Interception:** Unmaintained and unmonitored urban stormwater treatment devices represent a massive, unquantified interception and pollutant flux within urban catchments.
- **Crisis of Orphan Assets:** Local councils across Australia report thousands of "orphan assets" with no recorded owner, value, or maintenance schedule, alongside blank condition data registers (e.g., Wingecarribee Shire Council reporting 1,303 assets with blank condition data in 2025).
- **Standardized Digital Asset Registers:** The final report must recommend mandatory statewide asset data standards requiring councils and developers to enrol digital asset condition data into open-access registries upon construction handover.

B. Integrating precinct planning and nature-based solutions

- **Blue-Green Infrastructure (BGI) & Net Zero:** Current regulatory settings systematically favour heavy, carbon-intensive capital expenditure (concrete "pit-and-pipe" replacements) over cost-effective Blue-Green Infrastructure (BGI) and permeable pavements.
- **Eradicating Capital Waste:** Research indicates that operational functionality of Gross Pollutant Traps (GPTs) across Australia has collapsed to just 32% due to lack of routine maintenance resources. Integrating BGI into early precinct planning drastically reduces embodied carbon while restoring urban waterway health.



5. Response to information request 2: First Nations co-design and closing the gap

PC Query: *Which changes to governance arrangements, if any, have led to shared decision-making... and how can jurisdictions better incorporate Aboriginal and Torres Strait Islander knowledges?*

- **Closing the Gap Alignment:** Current fragmented stormwater arrangements create severe barriers to culturally appropriate urban waterway management.
- **Mandatory Co-Design:** A renewed NWA must mandate that precinct-scale urban waterway planning, catchment alignment programs (such as the Wianamatta Catchment Alignment Program), and BGI projects are co-designed directly with Traditional Owners.
- **Protecting Cultural Values:** Co-design protects receiving water health, respects cultural responsibilities for land and water, and aligns directly with national commitments under Closing the Gap.



6. Summary of key recommendations for the final report

1. **Reassess Progress Ratings:** Downgrade the NWI Table 6 rating for urban WSUD and innovation from "Largely Achieved" to "Partially Achieved" to reflect ongoing governance, maintenance, and compliance enforcement crises.
2. **Re-establish an NWC-Style National Body:** Embed an independent national oversight and auditing authority within the National Water Agreement to ensure cross-jurisdictional accountability.
3. **Mandate Aligned Statewide Governance Hierarchies:** Require each jurisdiction to establish an aligned statutory hierarchy, single portfolio leadership (Minister and Lead Department), and an Enduring Collaboration Steering Committee.
4. **Bridge Institutional Silos & Mandate Compliance:** Address the separation between water utilities and local councils, integrate blue and green infrastructure planning, and mandate WSUD compliance enforcement programs nationwide modeled on Blacktown City Council.
5. **Integrate Guidance & Harmonise DCPs:** Consolidate national technical manuals (SQIDEP, WSUD, LSCM) and roll out standardized DCP clauses modeled on **Water by Design**.
6. **Modernise Levies & Establish Upgrade Funds:** Index local stormwater service charges (SMSC) to CPI and establish dedicated capital upgrade funds paired with digital-twin and IoT sensor technologies.

We are happy to provide more information to the enquiry and wish you the best of luck.

Regards

David Nixon

Chairperson

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