

Regional Capitals Australia

Submission to the Productivity Commission

National Water Reform 2026

Water is the infrastructure that makes regional growth possible

Supplementary submission responding to the interim update

July 2026

THE ARGUMENT IN ONE SENTENCE

Australia wants regional capital cities to deliver more housing, energy, food production and resilience. The water systems that make this possible must be planned at the same time, funded through a pathway councils can access, and priced so that local households and first movers do not carry national costs alone.

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Contents

[About Regional Capitals Australia](#)

[Opening Position](#)

[Executive Summary](#)

[Recommendations Upfront](#)

[Submission Context](#)

[1. Water Must Be Planned Before Growth Arrives](#)

[2. Regional Projects Need a Direct and Transparent Funding Path](#)

[3. Growth Costs Must Be Shared Fairly](#)

[4. Emerging Contaminants Need a National Response](#)

[5. Reliable Regional Services Need Predictable Funding](#)

[What the Six Cases Show Together](#)

[Table of Recommendations](#)

[Conclusion](#)

[For More Information](#)

[References](#)

About Regional Capitals Australia

Regional Capitals Australia (RCA) was formed in 2012 to represent the interests of Australia’s regional capital cities. Our objective is to ensure these needs are reflected in national policy and funding priorities.

Regional capital cities perform a ‘capital city’ role within their regions, providing a central point of access to essential services, commerce, employment and education. These services are accessed by local residents, visitors and those in surrounding towns and rural areas.

Regional capital cities also provide a liveable alternative for people and businesses wishing to escape Australia’s congested metropolitan cities. Every year regional capital cities generate \$225 billion, or more than 16 per cent of national economic activity.

All RCA members have a growth agenda and stand ready to ensure a growing Australia means a stronger and more equitable regional Australia.

This submission reflects the collective experience of RCA’s 21 member councils and identifies practical reforms that would let regional capital cities deliver the housing, energy, food production and essential services the nation is asking of them.

21 MEMBER COUNCILS	51 REGIONAL CAPITAL CITIES	5.62m PEOPLE LIVE IN A REGIONAL CAPITAL	\$225b ANNUAL ECONOMIC CONTRIBUTION
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RCA’s policy platform

RCA’s platform is to grow regional capital cities that are connected, productive and liveable. Water and wastewater services sit across all three.

- **Connected.** Water networks connect homes, hospitals, schools, industry, farms and surrounding towns to safe and reliable services.
- **Productive.** Secure water supports agriculture, manufacturing, construction, tourism, renewable energy and the workforce that keeps regional economies moving.
- **Liveable.** Affordable, reliable water underpins public health, housing supply, climate resilience and everyday community confidence.

Opening Position

RCA welcomes the opportunity to make a further submission to the Productivity Commission’s National Water Reform 2026 inquiry, following the release of the Commission’s interim reform directions and interim assessment.

RCA lodged an initial submission in April 2026. RCA returns to the inquiry because the interim update confirms what member councils have reported for years: water services in regional and remote communities are “typically more expensive, have poorer outcomes and are less reliable than those in major cities”.^[1]

This submission focuses on five practical areas where the Australian Government, working with the states and territories, can improve water service outcomes in regional Australia by recognising water as enabling infrastructure and giving local government a direct route to national funding and policy processes.

RCA is not asking the Commonwealth to take over local water utilities or state water-resource planning. RCA is asking for a practical way in — for the councils that hold the local evidence, own the assets and are expected to deliver outcomes that reach well beyond their municipal boundaries.

RCA'S ESTABLISHED POSITION

Government should recognise the critical role water plays in regional Australia, especially to support population growth, agriculture and primary industry, and amend access arrangements under the National Water Grid Investment Framework to allow local governments to directly access funding based on local need.^[2]

Executive Summary

Our national leaders ask a great deal of its regional capital cities. These cities are asked to absorb population growth, deliver a share of 1.2 million new homes, host renewable energy zones, support Defence, keep food and fibre moving, and maintain the hospitals, schools and services that surrounding towns depend on.

RCA's member councils are ready to do it. What is missing to achieve these aims is:

- a system that plans water at the same time as it plans growth,
- a system that lets the council which owns the pipes put its own project forward, and
- a system that shares the cost of growth honestly between the people who benefit from it.

The problem

National and state decisions create demand. The infrastructure task is then handed to a small local customer base and a funding system councils cannot enter directly. National Water Grid proposals must come through a state or territory. When a nationally significant project lands in a regional city, the water bill lands on local ratepayers.

Why this matters to government

Every objective the Commission has been asked to consider — housing supply, the net zero transition, productivity, affordability and new industries — runs through a regional water pipe.

The Commission's own housing supply inquiry found that relaxing land-use controls and better coordinating enabling infrastructure are the two reforms most likely to lift housing supply and affordability, and that infrastructure planning is often the main constraint on building homes in new areas.^[3]

The Australian Local Government Association highlights the gap in council funding for enabling infrastructure required for 1.2 million homes at \$19.4 billion.^[4] Infrastructure Australia now lists "Secure, Sustainable Water for Growth" as a national investment priority.^[5]

Why RCA is credible

This submission draws on the operational experience of RCA's member councils, RCA's annual member survey, six detailed member case studies and current official evidence tested against the Commission's interim reform directions.

The cases are not a list of projects seeking grants. Each one tests a different part of the Commission's service-delivery framework. Together they show that the problem is not a shortage of local plans. It is the mismatch between what the nation expects of regional capitals and what the system lets them do.

Water security fast facts

44% REPORT SIGNIFICANT SHORTAGES ANNUALLY	77% RANK UPGRADES AS TOP PRIORITY	55% NEED UPGRADES NOW	11% NEED UPGRADES WITHIN 5–10 YEARS
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RCA member survey, October 2024. Agriculture and primary industries account for more than half of Australia's annual water demand.^[6]

Headline Asks

- 1. Direct access.** Let local governments and local water utilities apply directly for Commonwealth water infrastructure funding, including funding under the National Water Grid Investment Framework.
- 2. A transparent pathway.** Publish how regional water projects are identified, prioritised and decided, and give reasons.
- 3. Recognition as enabling infrastructure.** Plan and fund water and wastewater alongside Commonwealth and state housing, industry, agriculture, energy and defence priorities.

Recommendations

Headline Recommendations

- A.** Direct access. Let local governments and local water utilities apply directly for Commonwealth water infrastructure funding, including funding under the National Water Grid Investment Framework.
- B.** A transparent pathway. Publish how regional water projects are identified, prioritised and decided, and give reasons.
- C.** Recognition as enabling infrastructure. Plan and fund water and wastewater alongside Commonwealth and state housing, industry, agriculture, energy and defence priorities.

Recommendations for the Productivity Commission

- 1.1** The Australian Government, with the states and territories, should require an early water and wastewater service assessment for every Commonwealth-supported housing, renewable energy, industry, agriculture and defence initiative, through program guidelines and funding agreements, so that enabling infrastructure is planned before demand, land and delivery dates are locked in.
- 2.1** The Australian Government should amend the National Water Grid Investment Framework to allow local governments and local water utilities to lodge project proposals directly through a published, time-bound assessment pathway, while states retain a formal role in confirming water-resource compatibility.
- 2.2** The Australian Government should publish a regional water project pipeline setting out assessment criteria, project status, reasons for decisions and benefit-cost analyses, so that councils and communities can see how national water investment decisions are made.
- 3.1** State planning, water and pricing agencies should modernise growth charging through developer-servicing and infrastructure contributions rules so that development pays its efficient growth-related share, first movers receive credits or reimbursement for assets that serve later development, and governments fund the wider public-benefit share.
- 3.2** The Australian Government should apply the Local Infrastructure Fund's regional reservation model to the National Water Grid Fund by reserving a defined share of funding for regional projects and publishing how "regional" is defined, and state governments and water utilities should set time-bound standards for servicing advice and formal quotation.
- 4.1** Australian, state and territory governments should establish a national-to-local PFAS and emerging-contaminant response protocol covering action triggers, lead agencies, data sharing and polluter liability, so that responsibilities follow the contamination pathway.

- 4.2** The Australian Government, with the states, should fund monitoring, source tracing, treatment and replacement supply through a dedicated contaminant response stream where contamination removes drought resilience from a regional water system.
- 5.1** Water ministers and regulators should agree a measurable regional basic level of service covering safety, reliability, source redundancy, drought and contaminant resilience, wastewater and affordability, so that communities know what service they can expect and governments know where support is justified.
- 5.2** State and territory governments should replace stop-start capital grants with predictable, multi-year community service obligation payments that cover operating as well as capital costs where an efficient regional provider cannot recover the cost of the agreed service level from affordable local revenue.
- 5.3** The Australian Government, with the states, should fund voluntary regional collaboration, shared technical capability and project development, and update appraisal guidance so that lifecycle cost, interconnection, redundancy, avoided emergency costs and the value of being able to expand later are counted.

WHAT RCA IS NOT ASKING FOR

RCA is not proposing that the Commonwealth take over local water utilities or state water-resource planning, and we are not asking government to abandon proper project assessment. We are asking for a practical route into national funding and policy processes for the councils that own the assets, understand local context and need, and carry the risk.

Submission Context

The Commission's 2026 inquiry has two connected tasks: to assess progress under the National Water Initiative, and to recommend the policy, regulatory and institutional settings needed to support a secure, resilient and sustainable water services industry into the future.^[7]

This submission responds primarily to Part B of the terms of reference — secure, resilient and sustainable services — and draws on Part A where state reforms show progress or remaining gaps. It picks up the Commission's Information Requests IR2 (integrated planning and charging), IR4 (regional service delivery), IR5 (basic levels of service and community service obligation funding), IR7 (national reporting) and IR8 (Australian Government funding arrangements).

Why the timing matters

The reform window coincides with decisions that will shape regional Australia for decades.

Housing targets are being translated into local land and infrastructure programs. Renewable energy zones are moving from planning into construction. Drinking-water guideline values for PFAS tightened in June 2025.^[8] Climate variability is exposing systems that rely on one source or one treatment pathway — Australia's surface water storages fell to 68 per cent of accessible capacity by the end of 2025, and storages in the southern Murray–Darling Basin fell from 73 to 59 per cent in a single year.^[9]

Once land, investment and delivery schedules are committed, it is expensive and disruptive to discover that the water plan was not ready.

How the evidence has been assembled

RCA has used member experience as evidence and tested it against current official material. Each case study was built around the same five questions:

- What national or regional outcome is at stake?
- What local water constraint is preventing safe delivery?

- What has the council or utility already done?
- Which part of the policy or funding system is failing?
- What practical reform would change the result?

RCA has been careful about three things, and asks the Commission to preserve these distinctions when reading the evidence.

- **Current safety is separated from future resilience.** Where a member council's treated drinking water is safe, that is stated plainly; and
- **Public project estimates are separated from council modelling.** Figures drawn from council financial models are labelled as such.

Why these six case studies

The cases were selected because each tests a different part of the Commission's service-delivery framework.

Member case	Government objective	Water-service constraint	What the case proves	PC
Armidale	Net zero transition; NSW New England REZ	A construction and population demand shock is arriving before local water, wastewater and funding timelines are aligned	Water must be part of the investment-gate decision for nationally significant energy projects	IR2, IR4, IR8
Tweed	National Housing Accord; NSW housing delivery	A known dam augmentation is needed, but the cost split between growth, existing customers and public benefit is unresolved	Housing targets need a transparent project path and a pre-agreed funding model	IR2, IR5, IR8
Port Lincoln	Housing supply; Eyre and Western Regional Plan	Approved housing loses yield when a first small developer faces an indivisible sewer cost and delayed advice	Land supply is not housing supply without timely servicing and first-mover protection	IR2, IR4, IR8
Fraser Coast	Housing and regional productivity; Queensland growth planning	Separate systems limit the ability to move existing water during growth, maintenance, drought or outage	Interconnection can be the efficient enabling step when appraisal values resilience	IR2, IR5, IR8
Dubbo	Secure regional services; NSW PFAS monitoring	Town water remains safe, but PFAS has reduced groundwater redundancy and created monitoring and future treatment costs	Service standards must measure source resilience, not only treated-water compliance	IR5, IR7, IR8
Wagga Wagga	Defence accountability; agricultural production	A plume crosses Defence land, council wastewater and a separate drinking-water utility while supply remains compliant	Contaminant governance must coordinate agencies, data, liability and pre-emptive investment	IR4, IR7, IR8

1. Water Must Be Planned Before Growth Arrives

Housing, energy and industry programs cannot assume the enabling infrastructure will follow.

The context

Governments are rightly pursuing more housing, cleaner energy and stronger regional economies. Regional capitals are ready to help deliver all three.

The problem is the sequence. A major precinct or investment can be announced, land can be identified and delivery dates can be set before anyone has answered the basic water questions. How much extra demand will this create? Which source and treatment assets will carry it? What happens in a dry year? Who pays for the capital works, and who pays to run them afterwards?

The need

When water enters the conversation late, the local provider is left to catch up.

In a metropolitan system, a large customer base can absorb some of the shock. In a regional city, a single nationally significant project can create a demand step-change that is very large compared with the existing system. The same project also brings worker housing, extra wastewater loads and competition with existing agriculture and industry.

The evidence

The Commission's own housing supply inquiry, in its interim report released on 27 July 2026, found that "relaxing land-use controls and better coordinating enabling infrastructure are the reforms that are likely to have the greatest effect on housing supply and affordability", and that "infrastructure planning is often the main constraint on building houses in new areas (greenfield sites), so it should be a high priority for reform".^[3] The same report describes a Sydney greenfield estate rezoned in 2013 where "housing construction was postponed for several years by delayed sewerage connections".^[3]

The National Housing Supply and Affordability Council reaches the same conclusion, calling on governments to "better coordinate the pipeline of infrastructure needed to support new housing" and to ensure "urban growth is strategically planned and supported by enabling infrastructure".^[10]

The demand is not hypothetical, and it is not evenly spread. The Regional Movers Index reached its highest point on record in the March 2026 quarter, with capital city residents moving to the regions outnumbering those moving the other way by 29.7 per cent.^[11] Regional dwelling prices rose 11.7 per cent over the year to March 2026, against 9.3 per cent in the capitals.^[10] Infrastructure Australia's five-year public infrastructure pipeline has grown to \$242 billion, driven largely by energy transmission and housing — much of it landing in regional Australia.^[12]

The impact

Late planning does not remove the cost. It moves the cost to a later and more expensive decision point, and it increases the risk that national delivery schedules cannot be met.

It also turns the local community into the residual funder of infrastructure created by a wider policy decision. The House of Representatives inquiry into local government sustainability heard exactly this: "Councils are increasingly expected to fund the gap between the infrastructure contributions collected from developers and the current higher construction costs, which is directly impacting on their financial viability."^[13]

Recommendation

RECOMMENDATION 1.1

The Australian Government, with the states and territories, should require an early water and wastewater service assessment for every Commonwealth-supported housing, renewable energy, industry, agriculture and defence initiative, through program guidelines and funding agreements, so that enabling infrastructure is planned before demand, land and delivery dates are locked in.

The assessment should be proportionate to the scale of the project, but it should quantify demand, drought assumptions, source and treatment capacity, wastewater impacts, staging, approvals and responsibility for both capital and operating costs. The local council or utility must be at the table before the delivery timetable is settled.

CASE STUDY

Armidale Regional Council

A national energy project meets a local water constraint

8 GW planned REZ capacity | Level 5 restrictions in the 2019 drought and less than 100 days until a Day Zero event (zero water availability), affecting a population of approximately 30,000 | 13,000 to 26,000 ML planned storage expansion | ~\$515m current public core package

THE PROBLEM

A national energy build is arriving faster than the water system that has to carry it

The New England Renewable Energy Zone will create a construction-period demand step-change in a city that came within reach of running out of water in 2019, with an adjacent council having to cart in water due to contamination issues associated with historically low dam levels. The REZ and Armidale's regional water program are being approved and funded on separate tracks, and the water track is the slower one.

A city that remembers the drought

Armidale is a university, health, services and agricultural centre for the New England. In 2019 the city was less than 100 days away from running out of water, which would have led to the evacuation of multiple townships and a population of around 30,000 — a complex and high-risk response that would have placed immediate and significant stress on the NSW state, with impacts ranging from housing supply and accommodation availability through to healthcare and education. Level 5 restrictions changed daily life and left a lesson the community has not forgotten: water security is not an abstract future risk here. It is the foundation under every other growth promise. Armidale was not alone — the NSW Water Directorate has told this inquiry that the 2019 drought, the worst in 130 years of records, left 50 regional community water supplies at high risk of failure (interim update, p. 18).^[14]

The new demand is arriving

The New England Renewable Energy Zone is planned for up to 8 GW of network capacity. It is a national opportunity. It also brings construction crews, worker accommodation, industrial demand and wastewater loads. EnergyCo's own regional study found that peak construction demand across Armidale, Uralla and Walcha could be more than four times current supply.^[15]

The response is already underway

Council's staged plan restores Oaky Dam, connects this additional sustainable water source to Armidale and Uralla, raises Malpas Dam by about 6.5 metres to expand storage from around 13,000 ML to 26,000 ML, and upgrades treatment and transfer capacity. Council has completed detailed work, commenced approvals, purchased the Oaky Dam asset and formed a regional working group with Uralla and Walcha.^[16]

THE IMPACT

The current public estimate for the core water-security package is about \$515 million — far beyond what Armidale's customer base can finance while also funding existing services. If the water program lags the REZ

build, the consequences fall in three places: national energy delivery schedules, worker accommodation and local housing, and the existing agricultural, health and education users who share the same system.

THE SOLUTION

Require a quantified water and wastewater plan at the investment-gate stage of every renewable energy zone; provide one coordinated Commonwealth–state funding path rather than two; and allow appraisal to count drought resilience, lower utility energy costs and regional growth alongside the pipe. *Supports Recommendations 1.1 and 2.1.*

2. Regional Projects Need a Direct and Transparent Funding Path

The council that owns the asset, understands local needs, and carries the risk should be able to put the evidence forward.

The context

RCA supports disciplined investment and supports the states' role in water-resource planning. The difficulty RCA raises is narrower than that, and more practical.

A council can own the asset, carry the service risk and hold a developed business case, and still depend on another level of government to place its proposal into the national process. RCA members consistently report that the National Water Grid Investment Framework does not provide a clear pathway for local government participation, and that critical local water security needs are overlooked as a result.

As one member city has put it:

"Funding programs such as the National Water Grid are not open to local government and there are no clear administrative pathways for councils to have their projects considered."^[2]

The need

A pathway does exist. A council can ask its state or territory to nominate a project into the national process. The difficulty is that the pathway is not yielding results for regional capital cities.

A state or territory has its own water priorities, its own state-owned utilities and a limited number of nominations it is willing to carry forward. A regional council's project therefore competes for a place in someone else's program before it is ever assessed on its merits. Where it is not taken up, there is no requirement to explain why, no published record that the project was considered, and no route to have the Commonwealth assess the national benefit directly.

The consequence is not that councils are shut out. It is that a well-developed regional project can sit un-nominated and invisible, moving between short-term grant rounds while costs escalate and the need becomes more urgent. Member councils describe this as gatekeeping — not obstruction, but the ordinary result of asking one level of government to advocate for another's priorities, where the local context is often not well understood, acknowledged or prioritised for funding.

The evidence

RCA is not alone in this. In its interim assessment the Commission records that participants highlighted “the importance of LWUs and local governments being able to directly apply for grants”, citing submissions from Arup Australia, the NSW Water Directorate and RCA.^[17]

The Commission has also been blunt about the current framework. While the National Water Grid Investment Framework “provides clear principles to support good practice Commonwealth investment decisions”, the Commission finds that “the extent to which these principles have been applied in practice is mixed; for example, since 2021 governments have allocated funds to water infrastructure investments that have not been subject to benefit-cost analyses, have had unpublished benefit-cost analyses, or for which the costs exceeded the benefits” (pp. 29–30).^[1] The framework, the Commission adds, “could also be improved by more transparently explaining how different selection criteria are weighted in arriving at investment decisions” (p. 30).^[1]

Meanwhile the funding pool is shrinking. In the 2026–27 Budget, \$103.9 million of uncommitted National Water Grid Fund money over seven years from 2028–29 was redirected as a budget saving measure.^[17]

There is already a workable precedent

Direct local participation is not a new administrative idea. Under the Housing Support Program’s Community Enabling Infrastructure stream, applications “can only be made by: a local government authority (LGA); or a state or territory government”, and the Commonwealth contributes “up to 100 per cent of the total project cost for successful local government projects”.^[18] Under the National Housing Infrastructure Facility’s Critical Infrastructure guidelines, a “local governing body” is an eligible applicant and eligible projects expressly include “new or upgraded infrastructure for services such as water, sewerage, electricity, telecommunications or transportation”.^[19]

The 2026–27 Budget went further. Under the \$2 billion Local Infrastructure Fund, announced on 12 May 2026, councils and state-owned utilities apply directly to the Commonwealth through the Business Grants Hub, and water and wastewater infrastructure “including pipes, pumping stations and treatment facilities” is expressly eligible.^[36]

If the Commonwealth can accept a water and sewer proposal directly from a council when the objective is housing, it can accept one when the objective is water security.

The Local Infrastructure Fund also illustrates the limit of the current approach. Funding is still “paid to local governments and state-owned utility providers via a Federation Funding Agreement between the relevant state and Commonwealth”, applicants must supply “evidence that your state government supports the proposed project proceeding”, and a jurisdiction’s access is contingent on state reform commitments.^[36] Direct application is a genuine advance. It is not the same as an independent assessment of a council’s project on its merits.

The Australian Local Government Association states that “locking local governments out of federal funding to enable housing infrastructure will be a barrier to achieving the Government’s ambitious national targets”.^[20]

The impact

Where there is no direct pathway and no published pipeline, three things follow. Good regional projects are not assessed on their merits. Communities cannot see why a decision went the way it did. And councils spend scarce technical capacity re-preparing the same proposal for successive short-term rounds.

Recommendations

RECOMMENDATION 2.1

The Australian Government should amend the National Water Grid Investment Framework and Program Administration Manual to allow local governments and local water utilities to lodge project proposals directly through a published, time-bound assessment pathway, while states retain a formal role in confirming water-resource compatibility.

RECOMMENDATION 2.2

The Australian Government should publish a regional water project pipeline setting out assessment criteria, project status, reasons for decisions and benefit-cost analyses, so that councils and communities can see how national water investment decisions are made.

A council or local utility should be able to submit a short concept, receive early advice, develop evidence proportionate to the scale of the project, and obtain a time-bound decision with reasons. State agencies would assess compatibility with water plans and identify co-funding. The Commonwealth would assess national benefits and program fit.

CASE STUDY

Fraser Coast Regional Council

Connect what already exists before building the next source

25 km two-way pipeline | 15 ML/day initial transfer capacity | 40 ML/day future expandable capacity | ~\$101m current project estimate

THE PROBLEM

The water exists; the ability to move it does not

Fraser Coast is one of the fastest-growing regions in the country, and its three water systems cannot share capacity. Each must carry its own redundancy, which is the most expensive way to be resilient.

The region has water, but it cannot always move it to where it is needed

Fraser Coast's Hervey Bay, Maryborough and Tiaro systems serve a growing regional economy where agriculture, food production and tourism all matter. Current strategies indicate safe-yield horizons extending well into the future. The immediate problem is not that the region has run out of water. It is that three separate networks cannot readily share capacity during a demand peak, a maintenance period, an outage or a drought.^[21]

This is a region under real pressure. Fraser Coast was the third most popular destination in Australia for capital-to-region movers in the twelve months to March 2026, accounting for 3.9 per cent of all net internal migration.^[11]

A grid changes the choices available

The proposed Fraser Coast Water Grid is a 25 kilometre, two-way pipeline between Maryborough and Hervey Bay. It would start at 15 ML a day and could expand to 40 ML a day. The current estimate is about \$101 million, with detailed design underway and construction indicated from mid-2027 to mid-2029.^[21] Council advises that the Water Grid and the Pulgul Sewage Treatment Plant upgrade together have capacity to support more than 11,000 new homes while maintaining services for existing residents, industry and agriculture.^[22]

THE IMPACT

Without interconnection, growth triggers earlier and more expensive standalone augmentation in each system, and the region has fewer options during an outage, a maintenance period or a drought. The benefits of connecting instead — avoided augmentation, avoided emergency costs, operational flexibility and the option to expand later — are real economic benefits, but they are diffuse and hard for a single local customer base to monetise in the year a grant decision is made. Conventional appraisal therefore undervalues the cheaper option.

THE SOLUTION

Make staged interconnectors expressly eligible for Commonwealth funding, and update appraisal guidance so avoided augmentation, avoided emergency costs, operational flexibility and option value are counted. *Supports Recommendations 2.1 and 5.3.*

3. Growth Costs Must Be Shared Fairly

The first home or the first developer should not have to pay for every future user.

The context

Developer charges are often presented as a straight choice between charging development and keeping housing affordable. The evidence is more complicated than that.

Charges that are too low shift the cost of growth onto existing customers and can leave the infrastructure unfunded. Charges that are high, uncertain, or imposed in full on the first small project can stop delivery even where the land is already zoned and approved.

The need

The real question is not whether growth should contribute. It is whether the charge reflects the efficient development-related share, whether the proponent can get timely and reliable advice, and whether a first mover gets credit for an asset that will serve later development.

Public benefits — drought resilience, system-wide redundancy, national housing delivery — should not be hidden inside a local connection fee.

The evidence

The scale of the gap is now well documented. Research prepared for the Australian Local Government Association found a \$19.4 billion gap in the funding councils receive to deliver the enabling infrastructure needed for 1.2 million well-located homes, that 80 per cent of local governments cannot cover trunk infrastructure expenses, and that 40 per cent have cut back on new infrastructure development because trunk infrastructure funding is inadequate.^[4]

Growth is also driving a step-change in water sector capital programs. Water and wastewater capital expenditure reached \$11.2 billion in 2024–25, almost double the level of only three years earlier, and the Water Services Association of Australia projects it rising above \$12 billion a year in 2026–27.^[23] In one recent NSW determination, \$324 million of a \$578 million capital program — the largest single component — was to service growth.^[23]

On the question of whether efficient charges harm housing affordability, IPART's 2024 study of changes to water developer charges in New South Wales found that removing charges was associated with an increase in vacant-land values of roughly the amount removed, and did not produce a statistically significant change in house prices.^[24] Transparent, efficient, predictable charges are not the same thing as an arbitrary barrier to housing.

A model already exists

The Australian Government has already accepted the principle that regional areas need a protected share of enabling-infrastructure funding. Under the Local Infrastructure Fund, “25 per cent of funding to each jurisdiction will be reserved for funding in regional areas”, with a floor of \$50 million for smaller jurisdictions.^[36] RCA welcomes that reservation and asks that the same model be applied to the National Water Grid Fund.

Two design points matter. First, the Fund's published material does not define “regional areas”, and guidelines and assessment criteria had not been released as at late July 2026. A reservation without a definition can be met without reaching regional capital cities. Second, unlike earlier Housing Support Program streams the Fund applies no cap on the amount that can be sought, and assessment will weigh homes unlocked against the size of the investment.^[36] Smaller regional projects — the 500 metres of sewer that unlocks seventeen lots — need to be able to compete on a proportionate basis rather than against metropolitan precinct-scale proposals.

The impact

Where cost allocation is unresolved, one of three things happens, and none of them is neutral. The project is delayed and planned housing is constrained. Existing residents carry more debt and higher bills. Or developer charges rise late and unpredictably, undermining feasibility for the very projects governments are counting on.

Recommendations

RECOMMENDATION 3.1

State planning, water and pricing agencies should modernise growth charging through developer-servicing and infrastructure contributions rules so that development pays its efficient growth-related share, first movers receive credits or reimbursement for assets that serve later development, and governments fund the wider public-benefit share.

RECOMMENDATION 3.2

The Australian Government should apply the Local Infrastructure Fund's regional reservation model to the National Water Grid Fund by reserving a defined share of funding for regional projects and publishing how "regional" is defined, and state governments and water utilities should set time-bound standards for servicing advice and formal quotation.

CASE STUDY

Tweed Shire Council

The dam is known. The way to fund it is not.

~2028 existing supply reaches its demand limit | +8.5 m proposed dam wall raise | 42,300 ML proposed storage | ~\$304m current project estimate

THE PROBLEM

The engineering is settled; the cost-sharing rules are not

Tweed knows what it needs to build and when. What it cannot resolve is how to fund it. Council's assessment is that cost-reflective water developer charges could assist to reduce the funding gap and address intergenerational equity, but current contribution settings restrict that pathway — so the growth that drives the need cannot be made to contribute its efficient share.^[37]

A growth plan needs a water plan

Tweed's existing water supply serves about 105,000 people and is expected to meet demand only until around 2028. The region's growth planning identifies capacity for more than 27,000 dwellings and over 10,000 jobs. Raising Clarrie Hall Dam would almost triple storage and secure supply to at least 2065.^[25]

The project is real and the pressure is close

The proposal is in the NSW assessment system. Cost escalation and the scale of the work have pushed the estimated requirement to around \$304 million. Tweed has progressed environmental assessment, demand management and land planning. What remains unresolved is how the cost should be shared between new development, existing customers and governments.^[26]

Council's June 2026 modelling indicates it may be able to fund about \$154 million, leaving a gap of about \$150 million. Council's 2026–27 Long Term Financial Plan currently includes \$150 million of grant funding to close this gap, an amount Council does not expect to secure under current settings. These are council-modelled figures, not public project estimates, and are included here with Council's confirmation because they explain the policy problem.

THE IMPACT

Doing nothing also allocates the cost

If there is no credible cost-sharing model, one of three things happens by default. The project is delayed and planned housing is constrained. Existing residents carry more debt and higher bills for capacity built for future users. Or charges rise late and unpredictably, undermining the feasibility of the very developments the housing targets rely on. None of those is a neutral outcome, and none is a decision anyone would defend if it were made explicitly.

THE SOLUTION

Remove the settings that prevent efficient, cost-reflective developer charges; require business cases and prices to separate development benefit, existing-customer benefit and public-good resilience benefit; and provide predictable Commonwealth–state co-funding for the public-benefit share. *Supports Recommendations 2.2 and 3.1.*

CASE STUDY

City of Port Lincoln

Seventeen lots, 500 metres of sewer, and three years without a formal quote

17 allotments in the original proposal | ~500 m sewer extension requested | ~\$600k indicative cost reported | ~3 years without a formal quote

THE PROBLEM

One indivisible cost, carried by the first mover, on land already approved for housing

A small subdivision with development consent could not proceed as designed because the first developer would have had to fund a sewer extension that also serves future sites — and could not obtain a formal quote to price the risk.

The land was approved. The connection was not resolved.

A proposal at 13 Garrett Road sought to divide the land into 17 allotments, including a larger parent lot for later stages. The proponent planned reticulated water and sewer servicing and obtained land-division consent. On paper this was exactly the kind of small, incremental project that should add housing supply without requiring a major new precinct.

One indivisible cost changed the project

Council-provided material records that a formal utility quote was not obtained over about three years. The proponent reported an indicative cost of around \$600,000 for roughly 500 metres of sewer extension, and could not secure civil-contractor interest. Rainwater retention could be handled onsite. Sewer remained the critical barrier.

The layout was redesigned for onsite wastewater disposal and reuse. The development could continue, but it lost an allotment and the intended staging changed. Uncertain timing and a large first-mover cost affected financeability even though the land already had development consent.

This small case points to a regional system problem

The Eyre and Western Regional Plan anticipates almost 12,000 additional people and more than 6,100 new homes by 2051, and SA Water advises that current regional resources meet existing demand but provide limited room for growth.^[27] That growth will arrive through many projects like Garrett Road. If each is treated as an isolated connection, strategic gaps get discovered one small proponent at a time.

THE IMPACT

The project lost an allotment, its staging changed, and reticulated sewer was replaced with onsite disposal. Multiply that across the more than 6,100 homes the Eyre and Western Regional Plan anticipates by 2051 and the region discovers its strategic servicing gaps one small proponent at a time — each one absorbing a cost that should have been shared, or walking away.

THE SOLUTION

SA Water's Connections Policy already contributes 50 per cent of the cost of materials towards a main extension "where it is determined by us to benefit other customers", and commits to processing a completed application within 20 business days.^[28] **The gap is implementation, not principle. Set time-bound and sufficiently binding standards for servicing advice and formal quotation; convert the materials rebate into a genuine first-mover reimbursement where one proponent funds an asset serving many; and ensure the National Water Grid Fund's regional share can reach projects of this size.** *Supports Recommendations 3.1 and 3.2.*

4. Emerging Contaminants Need a National Response

A safe tap result does not remove the cost of losing a drought source or managing a plume.

The context

PFAS contamination does not respect the boundaries of the organisations that have to deal with it. It commonly originates on a Commonwealth or other third-party site, travels through groundwater, passes through or settles in a council wastewater asset, and approaches the bores of a drinking-water utility that may be a different organisation again.

No single local body controls that pathway. But the monitoring, the treatment and the replacement supply are all paid for locally.

The problem

RCA's member councils identify three distinct problems, and they need to be separated because they call for different responses.

First, responsibility does not follow the contamination. The organisation that created the risk, the organisation that holds the data, the organisation that regulates the standard and the organisation that carries the cost are frequently four different bodies across three levels of government. There is no national rule that says who investigates, who leads, who shares data or who pays.

Second, the trigger for action is the wrong measure. Public reporting and regulatory attention focus on a single question: does the treated drinking water comply? That question is essential, and RCA's member councils answer it clearly and often. But a regional system can keep supplying fully compliant water while losing a high-output bore, carrying recurrent monitoring costs, restricting wastewater reuse and accumulating a future treatment liability. Compliance at the tap is a measure of today. It says nothing about whether the system can still get through a drought.

Third, the standard changed and the funding did not. Tighter guideline values arrived in June 2025 with no accompanying decision about who funds the monitoring, treatment or replacement sources they imply. The obligation moved. The money did not.

These are not hypothetical risks. Two RCA member councils are managing them now, and in both cases the treated town water is safe.

The evidence

The policy setting is moving. The NHMRC updated Australian Drinking Water Guideline values for PFAS in June 2025 — PFOS at 8 ng/L, PFHxS at 30 ng/L, PFOA at 200 ng/L and PFBS at 1,000 ng/L — and recommends a risk-based approach that monitors "the raw water (before treatment), not just the treated water".^[8] The NHMRC is explicit that implementation is not its responsibility, and that "some water suppliers might need extra treatment, which can sometimes take additional time and resources to plan and build".^[8]

The standard moved. The governance and the funding did not move with it.

In NSW, all 83 local water utilities tested their supplies and all met the updated guidelines. But the NSW Government's own advice is that "ongoing work and longer-term investment is required to maintain current levels in some supplies".^[29]

The NSW Legislative Council's Select Committee on PFAS made this concrete in September 2025. It recommended an independent review "to determine the financial impact of PFAS contamination on local water utilities in regional New South Wales, including the costs of: increased PFAS testing and monitoring of water; PFAS treatment of water, and the provision of alternative water supplies where previous sources do not meet required water quality standards" (Recommendation 12), and that the NSW Government "urgently allocate sufficient funding to local water utilities" for exactly those three things (Recommendation 13).^[30] It also recommended the Government investigate a levy on polluting industries to fund PFAS treatment, "especially in regional areas of New South Wales where PFAS contamination has been identified" (Recommendation 31).^[30]

On Commonwealth responsibility, the Committee found "a lack of effective collaboration between the Australian Government — particularly the Department of Defence — and New South Wales authorities in managing PFAS contamination, which hampers timely remediation efforts", and noted that "the NSW Government has consistently said that the Department of Defence needs to take more responsibility for the contamination it has caused".^[30]

The Committee also identified an emerging cost that has had little national attention: revised standards under PFAS National Environmental Management Plan 3.0 "could render a significant proportion of biosolids produced by New South Wales water utilities unsuitable for agricultural reuse".^[30] For regional capitals surrounded by farmland, that is not a small matter.

The Water Services Association of Australia expects these costs to grow: "Clean-up costs can be expected to rise as the scientific evidence of harm gathers."^[23]

The impact

Without a national protocol, every affected region invents its own governance after the contamination is found. Costs fall on whichever organisation happens to own the affected asset, rather than on whoever created the risk. And a community can be told, accurately, that its water is safe while its drought insurance quietly disappears.

Recommendations

RECOMMENDATION 4.1

Australian, state and territory governments should establish a national-to-local PFAS and emerging-contaminant response protocol covering action triggers, lead agencies, data sharing and polluter liability, so that responsibilities follow the contamination pathway.

RECOMMENDATION 4.2

The Australian Government, with the states, should fund monitoring, source tracing, treatment and replacement supply through a dedicated contaminant response stream where contamination removes drought resilience from a regional water system.

The protocol should distinguish source water, treated water, wastewater, biosolids and environmental pathways; set triggers for investigation and action; name the lead agency; require data sharing in one agreed form; and preserve polluter-pays principles.

CASE STUDY

Dubbo Regional Council

The town water is safe. The drought buffer is under pressure.

44,000+ people served | 2020 first reported PFAS detections | 19 sites in the source investigation | 8 ng/L current PFOS guideline value

THE PROBLEM

The compliance test is passing while the drought insurance is being lost

PFAS from off-site sources has forced Dubbo to isolate bores in the groundwater system it relies on when the river is constrained. Treated town water is safe and compliant. The asset that would carry the city through a drought is the thing being eroded — and no framework measures that, so no funding responds to it.

Dubbo depends on more than one source

Dubbo is a service, logistics, agricultural and manufacturing hub. Its system combines Macquarie River water with groundwater from the Upper Macquarie Alluvium. That groundwater is a critical drought buffer. Losing a high-output bore can materially reduce resilience even while treated water remains fully compliant.

The operational impact came long before any problem at the tap

PFAS was detected during groundwater investigations associated with borefield expansion. A drinking-water bore was isolated, and council material records further precautionary bore shutdowns. Investigations across 19 sites identified more than one potential source area.^[31]

To be clear about current safety

The NSW EPA confirms no PFAS was detected leaving the treatment facility and Dubbo town water remains safe. Council sampling on 10 June 2026 reported results below laboratory reporting limits across Dubbo, Wellington, Geurie and Mumbil.^[32]

THE IMPACT

Safety today and resilience tomorrow are different questions

Dubbo carries reduced raw-water redundancy, recurrent testing, plume delineation and a probable future treatment or replacement-bore liability — while simultaneously planning for drought, housing and industry growth. Tighter standards may require further source shutdowns. None of that cost was created by Council or its customers, and none of it is triggered by a compliance framework that stops at the tap.^[30]

THE SOLUTION

Set national action triggers and liability pathways that respond to loss of source resilience, not only to treated-water exceedance; fund regional monitoring and source tracing; and co-fund treatment, replacement bores or interconnection where contamination removes drought resilience. Include source redundancy as a measurable component of the basic level of service. *Supports Recommendations 4.1, 4.2 and 5.1.*

CASE STUDY

Wagga Wagga City Council and Riverina Water

One plume, three service systems, several lines of responsibility

2018 PFAS reported at Forest Hill STP | 25 ML/day East Wagga borefield capacity | \$106,993 Riverina Water PFAS costs to May 2025 | 0 supply-bore guideline exceedances

THE PROBLEM

Four organisations, one plume, no rule about who acts

A Defence-origin plume is moving through groundwater toward a strategic borefield owned by a county council, having already affected a city council's wastewater and reuse operations, under standards set by a third party again. Every organisation is acting in good faith. None of them has the authority, the data or the funding to manage the whole pathway.

The water pathway crosses institutional boundaries

Wagga Wagga is a major agriculture, defence, manufacturing and logistics centre. Riverina Water County Council supplies drinking water. Wagga Wagga City Council manages sewerage and reuse assets. Defence is responsible for PFAS management at RAAF Base Wagga. The risk pathway does not follow any of those administrative lines.

The current supply is safe, but the risk is moving

Council reported PFAS at the Forest Hill sewage treatment plant in 2018. Defence monitoring from April 2024 to February 2025 detected PFAS above drinking-water values in new monitoring wells between Marshalls Creek and Riverina Water extraction bores. No guideline exceedance was found in the sampled drinking-water bores or the Murrumbidgee intake.^[33]

The costs are already being carried locally

Riverina Water told the NSW Parliament's PFAS inquiry that its PFAS monitoring and investigation costs to May 2025 totalled \$106,993, including \$35,235 a year for 96 samples across the Tarcutta, East Wagga, West Wagga and North Wagga borefields.^[34] Its evidence put the forward risk plainly: East Wagga is "a 25 meg a day bore field site, so that would be quite a considerable cost when that does potentially start to get impacted with what we do in terms of treatment options".^[34]

THE IMPACT

The costs are landing on the organisations that did not create them

Riverina Water has already spent \$106,993 on monitoring and investigation, and faces treatment costs on a 25 ML/day borefield if the plume reaches it. Wagga Wagga City Council has carried consequences in its wastewater and reuse operations. Defence completed planned on-base remediation in May 2025 and participates in a project governance group — but that governance was invented locally, after detection. The NSW Select Committee found "a lack of effective collaboration" between the Commonwealth, particularly Defence, and NSW authorities.^[30]

THE SOLUTION

Apply polluter-pays principles with enforceable notification, data-sharing and remediation obligations for Commonwealth sites; establish standing cross-agency governance so it does not have to be built after each detection; and fund containment, predictive modelling and pre-emptive treatment design before strategic borefield capacity is lost rather than after. *Supports Recommendations 4.1 and 4.2.*

Note: the Tarcutta village supply is a separate, independent system and should not be read as evidence that the RAAF plume has reached East Wagga.

5. Reliable Regional Services Need Predictable Funding

A service standard without a funding mechanism is a promise. A funding mechanism without a service standard is a subsidy.

RCA's proposition

RCA puts a single, connected proposition to the Commission. Regional water reform needs two instruments, introduced together, and neither works without the other.

One: define what the service is. Agree a regional basic level of service that states, in measurable terms, what a regional community is entitled to expect from its water and wastewater system. This is the instrument that tells a provider what to plan for, tells a community what to hold it to, and tells governments where support is justified rather than discretionary.

Two: fund the gap between that service and what local revenue can carry. Where an efficient provider cannot recover the cost of the agreed service level from affordable local revenue, that gap should be met through a transparent, multi-year community service obligation payment covering operating as well as capital costs — not through capital grant rounds.

Introduced together, the two instruments convert an open-ended subsidy argument into a defined obligation with a defined cost. Introduced separately, they fail in predictable ways. A service standard without funding becomes an unfunded mandate on the smallest providers. Funding without a standard is impossible to size, justify or exit.

What the basic level of service must contain

RCA's members are the organisations that would have to deliver this standard, and their view is that it must be broader than drinking-water compliance to be meaningful. RCA proposes seven measurable components.

- **Safety.** Treated water that meets the Australian Drinking Water Guidelines, reported in context.
- **Acceptability.** Water that communities will actually drink — addressing colour, taste and odour, not only health parameters.
- **Reliability.** Continuity of supply, with locally determined targets reflecting system and climate conditions.
- **Source redundancy.** A measurable capacity to keep supplying when the primary source, a major bore or a treatment train is unavailable.
- **Drought and contaminant resilience.** A defined ability to withstand a drought of specified severity and the loss of a source to contamination.
- **Wastewater and reuse.** Effective sewerage and, where relevant, protected capacity for agricultural and industrial reuse.
- **Affordability.** A transparent test of what proportion of the efficient cost a local customer base can reasonably carry.

Source redundancy and contaminant resilience are the two components most often missing from existing frameworks, and they are the two that the Dubbo and Wagga Wagga cases show matter most. A system can be fully compliant and still be one dry summer away from trouble.

Why the current funding model defeats this

Capital grants are awarded in rounds, for assets, at a point in time. The obligations they create are continuous, operational and permanent. That mismatch produces three predictable outcomes in RCA member councils.

- A council wins a grant for a treatment plant and then carries operating and renewal costs it never had revenue for.
- A council defers renewals to fund operations, because renewals can be deferred and operations cannot.
- A council loses the technical staff who would have prepared the next business case, because the work comes in unpredictable bursts.

Capital support without operating support is not generosity. It leaves a regional utility with an asset it cannot sustainably run.

The Commission's interim work supports this direction

RCA notes that the Commission has already reached similar conclusions, which suggests the reform is available rather than aspirational.

On the structural problem, the Commission finds that “small, dispersed customer bases and remoteness all increase service delivery costs and full cost recovery may not be feasible”, and that “fragmented regulatory governance arrangements and uncertain, insufficient government subsidy arrangements undermine scope for long-term decision-making” (interim update, p. 17).^[1]

On the funding model, the Commission finds that grant funding “results in government support that is often uncertain, fragmented and poorly suited to ongoing maintenance, asset renewal and day-to-day operations”, and that it “can also lead to a cycle of grant dependency, which makes economically efficient, long-term decision-making challenging” (pp. 22–23).^[1]

On the alternative, the Commission finds that well-designed community service obligation payments “make financial support more predictable; clarify who is paying for what; provide incentives for increased cost-recovery; [and] better align funding with the efficient cost of delivering an agreed level of service” (p. 23).^[1]

On the standard, the Commission finds that “defining a BLOS establishes what outcomes providers should deliver and where government support is justified”, and that “a degree of national consistency could further aid prioritisation of Commonwealth funding, such as through the National Water Grid Fund” (p. 22). The Australian Government has already committed to “define a basic level of water service provision that applies nationally, with some flexibility for local circumstances” (p. 22).^[1]

RCA’s contribution is therefore not to argue the case in principle. It is to specify what the standard must contain if it is to be useful to the councils delivering it, and to insist that the standard and the funding mechanism arrive together.

Three further conditions

Shared capability. A standard cannot be met by providers who cannot access the expertise to plan for it. The Commission records “an Australia-wide shortage of trained water treatment operators, particularly outside major cities” (p. 18).^[1] Voluntary regional alliances and shared technical services can build that capacity without forcing ownership change or removing local accountability. Queensland’s regional alliances program shows the model works.^[35]

Proportionate reporting. Reporting against a national standard must not consume the technical staff who deliver the service. The Commission notes inconsistent reporting standards and “no centralised government collation” of drinking water quality data (pp. 27–28), and points to Queensland’s system, which “has simplified reporting from over 900 indicators to only 200” (p. 28).^[1] Fewer, better-labelled indicators that distinguish raw water, treated water, wastewater and environmental pathways would serve communities better than more of them.

Funding certainty before investment gates. A CSO mechanism must give councils confidence before they commit resources to project development and financing, not only after. Where a project must meet minimum service standards, security-of-supply obligations, housing growth commitments or regulatory compliance requirements, the council needs an early funding commitment or staged approval pathway confirming that a demonstrated funding gap will be addressed before it reaches investment and construction decision gates. Without this, a CSO model risks replacing one form of uncertainty with another, delaying the projects it is meant to unblock. Tweed Shire Council’s proposed Clarrie Hall Dam raising illustrates the stakes: a \$304 million project with direct implications for long-term water security, housing supply and regional economic growth cannot be planned around funding that may or may not materialise late in the process. This is not a hypothetical risk — in New South Wales, the Local Water Utility Reform Program is still designing its own CSO-type mechanism, with a government checkpoint for approval of the new funding framework not expected until June 2027 and indicative commencement from 2028–29, subject to approval.^[38]

Capacity to pay is the binding constraint

Financial Assistance Grants — one of the few untied, predictable revenue sources available to councils — were approximately 0.51 per cent of Commonwealth taxation revenue in 2024–25. The last time they equalled one per cent was 1996.^[20] Meanwhile the sector’s capital task is escalating: water and wastewater capital expenditure reached \$11.2 billion in 2024–25, almost double the level three years earlier.^[23] Recent regional determinations include a Tasmanian program proposing a 77 per cent increase in capital expenditure alongside price rises of 8.8 per cent a year for five years.^[23] Regional customer bases cannot absorb that trajectory, and no service standard will change the arithmetic.

The impact

Where the service standard is undefined and the funding is episodic, regional providers defer renewals, carry avoidable risk, and lose the technical staff who could have planned their way out. Communities pay for that twice — first in service quality, then in the emergency response when an asset fails.

Capital support without operating and maintenance support is worse than nothing: it leaves a regional utility with an asset it cannot sustainably run.

Recommendations

RECOMMENDATION 5.1

Water ministers and regulators should agree a measurable regional basic level of service covering safety, reliability, source redundancy, drought and contaminant resilience, wastewater and affordability, so that communities know what service they can expect and governments know where support is justified.

RECOMMENDATION 5.2

State and territory governments should replace stop-start capital grants with predictable, multi-year community service obligation payments that cover operating as well as capital costs where an efficient regional provider cannot recover the cost of the agreed service level from affordable local revenue.

RECOMMENDATION 5.3

The Australian Government, with the states, should fund voluntary regional collaboration, shared technical capability and project development, and update appraisal guidance so that lifecycle cost, interconnection, redundancy, avoided emergency costs and the value of being able to expand later are counted.

Project appraisal should look across the life of the system. A smaller interconnector with room to expand may be more efficient than an immediate large augmentation. A treatment investment may preserve a drought source. A shared asset may unlock housing and industry as well as improve reliability. Those benefits are real, and they should be visible in the business case.

What the Six Cases Show Together

The cases are different by design. One concerns a renewable energy zone. Two concern PFAS. Two concern housing-enabling infrastructure. One concerns system interconnection. Their common denominator is the gap between what the nation expects of regional capitals and what regional capitals are resourced and permitted to do.

- **Plan early.** Armidale shows that the water plan must sit inside the national project plan. Tweed and Port Lincoln show the cost of finding the infrastructure constraint after growth expectations are set.
- **Open the funding gate.** Fraser Coast, Tweed and Armidale show why a council with the asset, the evidence and the business case needs a direct route into Commonwealth assessment.
- **Allocate costs honestly.** Tweed and Port Lincoln show that charges must distinguish growth-related costs, existing-customer benefits and wider public benefits, while protecting first movers.
- **Measure resilience, not only compliance.** Dubbo and Wagga Wagga show that a safe tap result can sit alongside a serious loss of source redundancy and a rising future treatment cost.
- **Fund the service, not only the ribbon cutting.** Capital support without operating, maintenance and affordability planning leaves a regional utility with an asset it cannot sustainably run.
- **Value flexibility.** Fraser Coast shows that the ability to move water, defer a larger augmentation and expand later can be the most efficient outcome available.

The cheapest local bill today is not efficient if it strands housing, weakens drought resilience, transfers a contamination cost to the council that did not create it, or shifts nation-building renewable energy costs onto the community that hosts them.

RCA CROSS-CASE FINDING

The national opportunity

These reforms do more than solve local water problems. They make national housing programs more deliverable. They reduce schedule risk for renewable energy and new industry. They protect regional food production. They improve public confidence in how contamination is handled. And they make better use of infrastructure already in the ground.

They also improve accountability, by showing who is responsible, why a project was selected and how the costs were shared.

Table of Recommendations

Policy area	Recommendation	Government actor	Timing
Plan water before growth arrives	1.1 Require an early water and wastewater service assessment for every Commonwealth-supported housing, renewable energy, industry, agriculture and defence initiative, through program guidelines and funding agreements.	Australian Government with states	New and refreshed programs
A direct and transparent funding path	2.1 Amend the National Water Grid Investment Framework and Program Administration Manual to allow local governments and local water utilities to lodge project proposals directly through a published, time-bound assessment pathway.	Australian Government / DCCEEW	Within 12 months
	2.2 Publish a regional water project pipeline setting out assessment criteria, project status, reasons for decisions and benefit-cost analyses.	Australian Government with states	From the next funding round
Share growth costs fairly	3.1 Modernise growth charging so development pays its efficient growth-related share, first movers receive credits or reimbursement, and governments fund the wider public-benefit share.	State planning, water and pricing agencies	Reviews within 12 months
	3.2 Apply the Local Infrastructure Fund's regional reservation model to the National Water Grid Fund, publish how "regional" is defined, and set time-bound standards for servicing advice and formal quotation.	Australian Government / DCCEEW; states	Next funding round
A national response to emerging contaminants	4.1 Establish a national-to-local PFAS and emerging-contaminant response protocol covering action triggers, lead agencies, data sharing and polluter liability.	All governments	Protocol within 12 months
	4.2 Fund monitoring, source tracing, treatment and replacement supply through a dedicated contaminant response stream where contamination removes drought resilience.	Australian Government with states	From the next budget
Fund reliable regional services	5.1 Agree a measurable regional basic level of service covering safety, reliability, source redundancy, drought and contaminant resilience, wastewater and affordability.	Water ministers and regulators	Agreement within 12 months

Policy area	Recommendation	Government actor	Timing
	5.2 Replace stop-start capital grants with predictable, multi-year community service obligation payments covering operating as well as capital costs.	States and territories	Transition plans within 2 years
	5.3 Fund voluntary regional collaboration, shared technical capability and project development, and update appraisal guidance to count lifecycle cost, interconnection, redundancy and option value.	Australian Government with states	Pilot from 2027

Conclusion

RCA is not asking government to fund every local asset, or to remove proper assessment. RCA is asking water reform to recognise the way national growth is actually delivered.

Homes are built in local streets. Renewable energy workers live in local communities. Food and manufacturing businesses draw on local systems. Drought, contamination and ageing assets are managed by local operators. When national policy increases the demand, the water infrastructure cannot remain an afterthought.

RCA's position is practical. Let councils bring the evidence forward directly. Make the project pathway transparent. Plan water at the start of national growth programs. Be honest about who benefits and how the cost should be shared. Define the service communities should be able to expect, and fund the efficient gap predictably where a small customer base cannot carry it alone.

The six member cases in this submission show that this is already a national delivery issue. They also show that regional capital cities are not waiting for someone else to solve it. Councils have plans, business cases, partnerships and projects ready to move.

The reform task is to connect that local readiness to the national decisions it can help deliver.

Strong regional capitals are essential to strong regions. Secure water is essential to both.

Regional Capitals Australia stands ready to work with the Productivity Commission, the Australian Government and the states and territories to refine and implement these recommendations.

For More Information

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