



01 April 2021

Jane Doolan  
Commissioner – Productivity Commission  
National Water Reform Inquiry  
Locked Bag 2, Collins St East  
Melbourne VIC 8003

Dear Jane

### **Productivity Commission Draft Report – National Water Reform 2020**

The Local Government Association of Queensland (LGAQ) is the peak body and collective voice of local government in Queensland, with all 77 councils as its members. The LGAQ's Policy Statement 2020 represents the collective position of local government in Queensland. Policy positions on water and wastewater are attached.

We appreciate the opportunity to provide feedback on the Productivity Commission's Draft Report – National Water Reform 2020. The LGAQ acknowledges that the National Water Initiative (NWI) and related water reform processes have delivered major advances in sustainability, efficiency and equity in water resources, services, and markets. The LGAQ would also like to commend the Productivity Commission on delivering a comprehensive draft report incorporating most of the comments and suggestions provided in our earlier submission. The structure of the overall report including the recommendations and supporting papers is a welcomed change.

Our comments on the draft paper are outlined below. Please note that feedback provided is focussed principally on issues within our remit and that are relevant to local government services. Our response is also based on comments received from our local government members from the initial consultation undertaken for the National Water Reform 2020 - Issues Paper mid last year which was limited due to the COVID-19 environment.

### **The LGAQ's Response**

- **NWI Governance:**
  - Greater transparency is required in terms of roles and responsibilities for the NWI including the relevant agencies involved and clarity on who oversees the NWI. Further guidance is also required on how an integrated governance involving different levels of governments (including the relevant policy directions and strategies) could work seamlessly.
  - Continuous communication and stakeholder engagement within different levels of government is critical to establish long term strategic thinking and planning for various elements of the NWI. A suggestion is that the NWI stakeholder groups be



established and meet at regular intervals to inform and participate in the build of a renewed NWI.

- **Indigenous cultural values** - The LGAQ supports the cultural and economic aspirations of indigenous communities and welcomes the proposal by the stakeholder engagement group that '**principles guiding new infrastructure**' be amended to ensure planning processes are 'culturally responsive'. The LGAQ also notes that sufficient resources and funding should be allocated to support and enable participation of Aboriginal and Torres Strait Islander councils to ensure on-going involvement and consultation in this process.
  - **Urban water:**
    - **Resources** – The draft report refers to population growth in various sections and accordingly, the necessary measures to address water security concerns. It is suggested that the report includes further discussion on population decline in regional areas, which is impacting local government revenue (through rates) for water provision. Many rural and remote local governments are experiencing not only serious problems in relation to attracting and retaining skilled water services personnel but also in maintaining relatively expensive technology in small package plants. The LGAQ would like to see the NWI further address the issue with an explicit acknowledgement of occupational development and skills training needs.
    - **Integrated Water Cycle Management** – The LGAQ believes integrated water cycle management practices such as rainwater and stormwater capture, recycling, potable reuse, and aquifer recharge will be critical to urban water security in the future. A national policy focus on enhanced integrated water cycle management is supported. However, further details are required on the relevant objectives, desired outcomes and institutional changes required particularly in relevance to the incorporation of stormwater into the urban environment.
    - **Best practice planning** – Guidance and a framework that enables best practice planning is welcomed, both in the systems planning component and for individual elements of the NWI. However, in some instances, best practice planning could prove to be cost prohibitive for local governments, particularly for the smaller councils. Further guidance is required on fit for purpose and adaptive best practice planning options including any additional support mechanism available to councils. The LGAQ also supports the emphasis on climate change in the draft report but notes that specific actions need to be mapped out to underpin the NWI goals in this area.
    - **Extractive industries** – As noted previously, the LGAQ believes that water resources assigned to extractive industries should progressively be incorporated into the statutory water planning process. These arrangements have led to unfavourable pricing and supply outcomes for communities and a reliance on mining companies. Appropriate transitional and assistance mechanisms may need to be applied.
-



- **Water pricing** – For most local governments, there are great external pressures (i.e. political and social) to keep water prices low. Therefore, any attempts at price regulation are likely to force prices higher in the face of public expectation for an affordable essential service. Water prices are also affected by the local context in which water services are being provided. Thus, the focus should be on the consistency of principle-based pricing practices and not the final prices. In principle, the LGAQ would support price monitoring independent of government and service providers.
  - **Funding for water and sewerage infrastructure** – Many local governments in Queensland manage their water and sewerage assets and service delivery. As detailed in our earlier submission, the 40% capital subsidy provided by the Queensland Government to local governments for water and sewerage infrastructure ceased in 2009 and have been replaced by competitive grants. The lack of coordination or strategic alignment between these grants have led to local governments being reactive, rather than strategic, sourcing funding opportunistically where and when they can. The LGAQ welcomes discussions in the NWI on a dedicated funding stream for water and wastewater infrastructure to provide certainty so that local governments can plan and deliver cost-effective projects over the long term through best practice planning, effective asset management, and investment decisions.
  - **Governance of Regional and Remote Services** – The LGAQ supports the NWI advice on agreed principles for governance of regional and remote water services where local governments retain ownership of utilities. As discussed in our earlier submission, the [Queensland Water Regional Alliance Program \(QWRAP\)](#) which has been pivotal in encouraging collaboration in local government water and sewerage service provision requires all participating local governments to undertake assessments of regional governance arrangements. The Program supports regional collaboration and activities through partial funding to create economies of scale and to respond to common water and sewerage issues faced by local governments. The LGAQ believes QWRAP sets an example as it represents collaboration between state and local governments to investigate optimal models for regionalisation across the state. We are certain that QWRAP will continue to be successful in bringing councils together as regional Alliances with continued support and due recognition for the successful outcomes achieved to date. Increased recognition in the NWI for significant regional collaborations such as QWRAP is imperative to ensure continued investment by the State Government and to promote knowledge sharing across jurisdictions.
-



Should you have any questions or concerns in relation to the feedback provided, please feel free to contact Subathra Ramachandram, Lead – Water and Wastewater

Yours sincerely

Alison Smith  
HEAD OF ADVOCACY

ENC – *LGAQ's Policy Statement 2020 on water and wastewater*

## 8.5 Water Supply and Sewerage

### 8.5.1 Institutional Arrangements

- 8.5.1.1 Local government recognises that it has primary responsibility for providing potable water services to Queensland communities. Local government recognises that water is a resource that should be shared equitably across each region through institutional arrangements that best facilitate efficient service delivery and resource use.
- 8.5.1.2 The state government must ensure that no community is substantially disadvantaged in terms of basic access to, and price of a reasonable supply of potable water, as a community service obligation.
- 8.5.1.3 Local government believes that 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 watersector.
- 8.5.1.4 Where reform of current institutional arrangements is considered necessary to enhance security, sustainability and efficiency of water services, there should be full consultation with the LGAQ and all local governments likely to be affected by any proposed changes. Any change should address sustainability of small communities and broad economic impact and must seek continuous improvement in services and responsiveness to community needs.
- 8.5.1.5 Local government believes that any change in current water institutional arrangements should seek to build on existing roles, responsibilities and relationships reflecting the existing partnership approach between the state and local governments and amongst local governments.

- 8.5.1.6 Where regional water supply schemes across a number of councils are necessary, joint local governments or local government owned corporations are the preferred approach rather than a separate Statutory Authority.
- 8.5.1.7 The role of individual councils in water retailing should be maintained in any changes to institutional arrangements.
- 8.5.1.8 Where any water infrastructure is subsumed into new bulk supply institutional arrangements, there should be a guarantee of full compensation for current owners.

#### 8.5.2 Funding Arrangements

- 8.5.2.1 Local government believes that greater capital investment in water infrastructure by federal and state governments is needed to meet future needs and foster regional development.
- 8.5.2.2 Local government requires openness and transparency in assigning externality charges to water providers. Externalities include environmental costs as well as water resource planning and management costs.
- 8.5.2.3 Local government will advocate for the return of revenue raised from National Water Agreement imposed externality charges to ongoing investigations and planning as well as investment in future water infrastructure needs including dam safety upgrades.
- 8.5.2.4 Local government will seek contributions to the cost of long-term regional water infrastructure through instruments such as the development of infrastructure charges plans.

#### 8.5.3 Pricing Regime

- 8.5.3.1 Local government accepts that significant local government water retailers should be subject to price oversight by an independent body. However, retail water pricing must remain the responsibility of each water retailer, recognising the varying circumstances that exist.
- 8.5.3.2 In setting retail prices, local government recognises the need for pricing regimes which encourage efficient use of water resources. This will generally be achieved by use of two-part tariffs including, where appropriate, inclining block tariffs.
- 8.5.3.3 Where separate institutional arrangements exist for bulk water supply within a region, a common 'postage stamp' approach to pricing is generally preferred by local government rather than one based on differential nodal pricing.

#### 8.5.4 Operations

- 8.5.4.1 Local government is committed to best practice in water use, implementation of sustainable urban water management and development of strategies to:
- Reduce demand for water to improve the efficiency of use;
  - Reduce supply losses;
  - Increase the re-use of water;
  - Increase use of stormwater for urban and household demands; and
  - Improve community awareness of water management issues.
- 8.5.4.2 Where regional arrangements for bulk water supply exist, local government accepts that there should be common rules set for supply restrictions and minimum service levels by the body responsible for water supply planning.
- 8.5.4.3 Time of day tariff structures for electricity should be available to allow local government to minimise operating costs of water supply and sewerage systems.
- 8.5.4.4 Local government is committed to rationalising the system of water information reporting by local governments to reduce inefficiencies, eliminate duplication of reporting mechanisms and improve information for water planning and security.

#### 8.5.5 Sewerage Management

- 8.5.5.1 Local government recognises that it has primary responsibility for the collection and treatment of wastewater and disposal of treated wastewater in urban areas.
- 8.5.5.2 Local governments acknowledge that wastewater should be treated in accordance with legislative requirements or to a 'fit for purpose' standard provided due consideration is given to the social, economic and financial impacts on communities in addition to preventing significant adverse impacts on receiving environments
- 8.5.5.3 Any increases in the standard of treatment required for wastewater should be phased in over an appropriate period and be accompanied by an appropriate level of state or federal government funding.
- 8.5.5.4 Local government fully supports the beneficial reuse of 'fit for purpose' treated wastewater as a strategy to mitigate the adverse environmental effects of releasing treated wastewater to waterways and as a strategy to achieve sustainable urban water use.
- 8.5.5.5 Decisions relating to the options pursued for the reuse of effluent should remain within the jurisdiction of local government.
- 8.5.5.6 Local government supports a state government licensing regime that is based on mass loads of nutrients released to receiving environments.
- 8.5.5.7 The reuse of greywater in sewered areas should only occur where local government can be satisfied that the public health implications and soil and climatic conditions can be appropriately managed.

#### 8.5.6 Dam Safety

- 8.5.6.1 Local government recognises that Dam Owners have legislative and regulatory obligations to ensure that dams under their control comply with Dam Safety Guidelines to minimize the risk of dam failure and to protect life and property
- 8.5.6.2 The acceptable risk levels for dam safety should be based on an open and transparent process with peer-reviewed engineering advice and community consultation in determining an acceptable level of risk.
- 8.5.6.3 The costs of dam safety upgrades should consider the community capacity to pay, and the Queensland and Australian Governments should provide community service obligation payments where such work is necessary but economically unviable.
- 8.5.6.4 Dams were constructed in partnership with the Queensland and Australian Governments, which should be recognised in the apportionment of dam safety costs
- 8.5.6.5 Local government believes that due to the diversity of circumstances that apply to dams across the state, dam safety upgrade costs should be apportioned based on the purpose and use of each dam