



24 March 2021

## **SUBMISSION TO THE 2021 NATIONAL WATER REFORM INQUIRY DRAFT PAPER**

Infrastructure Partnerships Australia welcomes the opportunity to make this submission in response to the *Draft Report* of the Productivity Commission's (PC) 2020-21 *Inquiry into National Water Reform*.

Infrastructure Partnerships Australia is the nation's infrastructure think tank, providing independent policy research focused on excellence in social and economic infrastructure.

Our submission is primarily focused on the urban water sector. Despite the scale of the urban water task in Australia, and the range of pressing issues it faces – including population growth, the effects of climate change and ageing assets – urban water has attracted insufficient policy attention from governments. The result has been the absence of a clear long-term vision for urban water or any meaningful national reform agenda.

### **The Productivity Commission's Draft Report offers a drip when we need a splash**

In our submission to the *Issues Paper* of this Inquiry, Infrastructure Partnerships Australia called for the Productivity Commission to provide leadership by outlining an ambitious and actionable national reform agenda for the urban water sector. This is consistent with calls made by Infrastructure Partnerships Australia, as well as other organisations such as the Water Services Association of Australia and Infrastructure Australia over many years, including throughout the previous National Water Reform Inquiry in 2017.

Without change, the *Draft Report* represents a missed opportunity to drive meaningful change in an urban water sector in clear need of reform. Despite acknowledging the shortcomings of the National Water Initiative (NWI), and raising major issues such as climate change, ageing assets and vastly different needs of our cities and regional towns, the Report recommends only minor tweaks and incremental changes to the existing arrangements.

This incremental approach will not benefit Australian urban water users. Just as the recommendation by the Commission in 2017 to 'renew' the NWI has resulted in no meaningful change, so too will the call to 'renew' the NWI again this year. Australian water users deserve better than a perpetual process of road-based can kicking

### **The Draft Report fails to tackle the tough issues or provide a genuine pathway for reform**

As outlined in Infrastructure Partnerships Australia's submission to the *Issues Paper*, a lack of action by governments in response to major challenges in the urban water sector is exposing users and taxpayers to mounting risks.

Many organisations and individuals within the urban water sector continue to strive to improve outcomes for users and to embed more efficient and sustainable practices. However, too much of the accountability

for the outcomes of the urban water sector rests with these people and companies. And the lack of a broader vision for the sector, backed by strong, national leadership, means that the effectiveness of their efforts is unduly curbed.

While some of the challenges facing the urban water sector raised in our submission were addressed in the *Draft Report*, others were given little attention. In particular:

- Economic, health and environmental regulation remains a patchwork of inconsistency across the country, with Ministers in some jurisdictions still intervening in governance, investment and pricing, to the detriment of efficient long-term, user-focused outcomes.
- Private sector expertise and investment remains underutilised by many governments and utilities. This means some users are unable to benefit from many innovative delivery approaches or technologies successfully deployed overseas, while much-needed capital or maintenance works may be unduly delayed.
- Where best practice is being implemented, there is no suitable national vehicle for sharing lessons, raising standards, and ensuring more users have access to the highest quality of service.

Australians rely on the Productivity Commission to raise and debate issues such as Ministerial intervention in pricing and a greater role for private investment in our infrastructure. Australian water users will miss out should the Commission remain silent on these issues. Instead, this silence risks being an enabler of interventions that are not in customers interests and a perpetuation of the status quo – or worse, backsliding in some cases. The result is options for reform being effectively taken off the table, and the sector being resigned to another three years of inaction.

### **We repeat our call – Australia needs a new national urban water agenda**

The Draft Report's recommendation that the NWI be 'renewed' is inadequate. The Productivity Commission tried this approach in 2017, and the past three years have seen no real change. All we have seen is further stagnation on long-overdue urban water reforms and an increasingly fragmented approach to water governance and regulation by the states and territories. Reform efforts have been stymied by a continued absence of strong national leadership.

Clearly, Australia needs a new, long-term, national agenda for urban water reform. Without it, the challenges in the sector will persist and worsen. In the absence of reform, there will be limited scope or incentive for governments, utilities and the broader sector to pull in the same direction, improve outcomes for users, transform water service delivery in ways that will underpin the liveability of our cities, reduce risks to taxpayers, and provide greater opportunities for innovation and private sector investment.

The Productivity Commission should take the lead on the transformation we all know is required. An incremental approach to urban water reform will not work. Governments' oversight and planning of the urban water sector needs transformation, not tinkering at the margins.

Infrastructure Partnerships Australia calls on the Productivity Commission through its Final Report to lead, to tackle the tough issues, and to deliver a plan that genuinely shifts the dial on urban water reform. This Inquiry can and should be the catalyst for meaningful, positive reforms that benefit Australian water users.

Thank you for your consideration of this submission. Should you require further information please contact Mr Jon Frazer, Director of Policy and Research

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