

Industry Feedback

qldwater consolidated submission



Productivity Commission National Water Reform 2020 – Response to Draft Report

March 2021

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Submitted via: <https://www.pc.gov.au/inquiries/current/water-reform-2020/make-submission#lodge>

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1. Background

The Queensland Water Directorate (*qldwater*) is the central advisory and advocacy body within Queensland's urban water industry representing the majority of the State's Water Service Providers, from small local governments up to major utilities including Queensland Urban Utilities and Unitywater. *qldwater* works with its members to provide safe, secure and sustainable urban water services to Queensland communities.

In 2020-21 *qldwater* had a total of 72 full members, which included:

- 2 of 2 Torres Strait Island Council Service Providers
- 15 of 15 Aboriginal Councils
- 52 of 52 Non-Indigenous Councils
- 2 of 2 council-owned Statutory Authorities in SEQ (Unitywater, Urban Utilities)
- 1 of 2 state government-owned Statutory Authorities (Gladstone Area Water Board)

Our subscription programs involve some other utilities and we also have numerous Affiliate (Industry and Government) partners.

This submission is collated from member feedback and past consultation activities including events held specifically to seek member views on industry reform, webinars and personal interviews, the *qldwater* Strategic Priorities Group and other reference groups. Consensus among such a diverse and geographically spread membership is impossible to achieve. The opinions expressed herein are *qldwater's* alone.

2. Overview of this submission

In general, *qldwater* congratulates the Productivity Commission on this report (and supporting papers) and the recommendations. It is clear that feedback *qldwater* provided on the initial Issues Paper has been considered and well-reflected, in most instances, in the primary report and supporting papers. The new supporting paper concept makes sense in providing the opportunity to provide deeper guidance for key issues.

As an over-arching comment, we are all grappling with the challenge of the best way forward to address deficiencies in urban water management, especially in some regional and remote locations. Implicit in all of these challenges is a need for some level of regulatory and institutional reform. However, there is no political appetite for such reform at a state (Qld) or federal level, and in the absence of a change driver, we are left to debate

interim solutions that must be encouraged to ensure progress in the absence of an agreed end-point.

The draft 2020 reports do an excellent job of mapping some options to progress this journey (for example Customer Service Obligations), but is either silent, or lacking emphasis for others, which are the focus of this brief submission. The responses below focus on specific urban water services recommendations in the draft [Findings, recommendations and renewal advice](#) Report from Section 11 – Urban water services (p. 18).

3. Specific Comments

DRAFT NWI RENEWAL ADVICE 11.1: BEST PRACTICE URBAN WATER SYSTEM PLANNING

- The advice is strongly supported. The Report narratives provide a balanced analysis of the potential impediments to whole-system planning. Institutional issues and difficulty accessing requisite expertise cannot be under-stated particularly across regional service providers.

DRAFT NWI RENEWAL ADVICE 11.2: PRINCIPLES FOR BEST PRACTICE INDEPENDENT ECONOMIC REGULATION

- The advice is supported, **however there are some key components of the narrative which could be reflected in the “advice.”** For example, the Report narratives (and Advice 11.7) refer to principles of “ring-fencing” water businesses and other suggestions for improving transparency. If there is little political appetite for regulatory reform and therefore no short-term prospects for “best practice independent economic regulation”, what initial steps or “better practice” mechanisms might be encouraged?

DRAFT NWI RENEWAL ADVICE 11.3: IMPROVING PRICING AND SERVICE OUTCOMES

- Fully supported. Flexibility and a condition to ensure that economic regulation must achieve a benefit to customers which exceeds the cost to administer is critical in supporting utilities, particularly those frustrated by past poorly-implemented regulation.

DRAFT NWI RENEWAL ADVICE 11.4: IMPROVING PRICING AND SERVICE OUTCOMES

- Partially supported. The recommitment to cost-reflective developer charges is welcomed. We are not in a position to comment on the practicality of incorporating stormwater, including pricing frameworks. It is difficult to see past the institutional barriers and a range of failed historical total water cycle management initiatives.

DRAFT FINDING 11.1

- **qldwater** strongly supports the improvement of the NPR and the benchmarking it enables. The current review of the NPR is currently progressing well after some initial false-starts. Some of the narrative in the Report(s) appears to seek to pre-empt the findings of that review, and it would appear to be wise to consider revisiting this advice when the future of the NPR is known.

DRAFT RECOMMENDATION 11.1

- The listed measure is specific and pre-empts the results of the current NPR review, when it is unclear which Service Providers will be captured in the new process.

DRAFT NWI RENEWAL ADVICE 11.5: IMPROVING PRICING AND SERVICE OUTCOMES

- Strongly supported, but the same principles noted as necessary for economic regulation should apply. In particular, the costs of data capture and reporting must not exceed the value of the benefit of doing so.

DRAFT NWI RENEWAL ADVICE 11.6: ENSURING ACCESS TO A BASIC LEVEL OF SERVICE

- Strongly supported, with the additional advice in mapping out a path to a transparent CSO approach in Report SP G welcomed. The guidance to support the implementation of CSOs is most welcome. Improving transparency around costs and sending appropriate pricing signals are critical. The report(s) note the potential for subsidies to reduce incentives for improving efficiencies and potential for moral hazard. Unfortunately, the more recent responses to COVID recovery appear to be reinforcing the current inefficient funding approaches – driving unnecessary costs to deal with poor investment signals.
- **There are some additional matters worth specifically considering:**
 - The advice only mentions drinking water. Urban water and sewerage services are typically combined and it is difficult to consider one service in isolation, becoming more difficult as you consider smaller organisations with arguably higher drinking water risks. Elsewhere in the report, there is a push for integration including stormwater services. The recommendation could better express integrated services while highlighting the desire for minimum drinking water standards.
 - The advice does not reflect current deficiencies in skilling – particularly **planning and asset management** to support what a minimum standard seeks to support – a means of steering efficient long-term investment.
- The initial **qldwater** submission included a call to arms in relation to skilling which has also not been reflected well in the Report(s). Acknowledging that other PC studies exist to look at the National Agreement for Skills and Workforce Development, **qldwater** believes that water as an essential service deserves special attention.
- There are many workforce studies showing pressure in the sector around key operational roles as well as professional disciplines including engineering.
- The Draft Report(s) identify a number of needs for policy-makers to address which will require skills which do not exist in the sector and to which the market has limited capacity to respond. Some issues relate to governance and the fragmented nature of the sector in Queensland, others have impacts in all jurisdictions.
- There are general issues relating to recruiting and retaining, particularly for regional and remote locations, exacerbated where more competition for skills exists (e.g. in resource regions). Water utilities often do not have the capacity or resources to respond to significant churn.

- To enable “basic levels of service” there must be confidence in the competence of all staff operating the systems, but particularly operational staff. **There is currently no minimum mandatory standard for drinking water treatment operators in Australia.** The solution is not a single qualification, rather direct competency mapping of the processes required to safely operate a drinking water system. It could be more or less than an existing qualification from the National Water Package.
- There is also a **fundamental training supply market failure** either existing or imminent. This issue is recognised by representatives of all Australian water industry jurisdictions through the Water Industry Reference Committee convened by Australian Industry Standards, which includes the states which are often presented as having more suitable urban water governance models than Queensland and NSW.

DRAFT NWI RENEWAL ADVICE 11.7: GOVERNANCE OF REGIONAL AND REMOTE SERVICES

- Strongly supported, although it should potentially be clarified that this applies to current LG-operated jurisdictions rather than suggesting reform for others?
- “Ring fencing” may need a staged approach in absence of State or Federal appetite for reform as noted above at RENEWAL ADVICE 11.2.
- **It is recommended that the profile of critical regional collaborative initiatives including the Queensland Water Regional Alliance Program is increased (as it represents a potentially necessary step towards broader reform in the absence of a broad-scale reform agenda).**
- **Indeed, programs like QWRAP were developed in response to needs identified through past PC reports and overt support is fundamental to continued investment by State governments.**
- In the absence of more recognition for these types of efforts, in Queensland at least, it is difficult to see the PC reform recommendations as anything other than aspirational.

DRAFT NWI RENEWAL ADVICE 11.8: MONITORING AND REPORTING ON REGIONAL AND REMOTE SERVICE QUALITY

- Fully supported, and fundamental to 11.6.