



28 August 2020

SUBMISSION TO THE 2020 NATIONAL WATER REFORM INQUIRY ISSUES PAPER

Infrastructure Partnerships Australia welcomes the opportunity to make this submission in response to the *Issues Paper* of the Productivity Commission's (PC) 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. This part of the broader water sector is responsible for delivering potable water supply, wastewater, and a range of other services, including desalination, recycling and stormwater, to more than 20 million Australians.

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.

A lack of action by governments is exposing users and taxpayers to mounting risks

Over recent years, the challenges facing the urban water sector, and the risks borne by urban water users, have only grown and intensified.

- Drought and the broader impacts of climate change have exposed poor planning by governments and a lack of accountability for public policy outcomes. There remain real and present risks of major settlements running out of drinking water in some parts of the country, while other regions face risks of inundation due to overflowing dams, or infrastructure failures due to ageing or poorly maintained assets.
- 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.
- Water is often a forgotten element of broader planning processes, curbing the capacity of urban water infrastructure to contribute to broader policy outcomes, such as improvements to liveability and sustainability of communities.
- Policy bans on the use of recycled water for consumption still exist in some parts of the country, despite being proven safe for many years.
- 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.



In spite of these challenges, 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.

Australia needs a new national urban water agenda

The common denominator to many of the challenges faced in the urban water sector is a lack of adequate long-term planning from governments that have kicked the can of reform down the road. Nobody within government bears ultimate accountability for the long-term future of Australia's urban water sector outcomes. Considering what is at stake – the health of the vast majority of Australia's population, the liveability of our cities and towns, and the capacity to sustainably fund water services into the future – this is not good enough.

For many in the sector, and governments more broadly, the National Water Initiative (NWI) has become an irrelevant factor in planning and investment decisions. Lessons from the Millennium Drought, which exposed poor planning and an absence of accountability, remain largely unaddressed, and progress in water pricing reform is inadequate.

Clearly, we need a new, long-term, national agenda for the sector. Without it, the challenges in urban water 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 2017 National Water Reform Inquiry failed to catalyse critical urban water reforms

The PC's *Final Report* of the previous National Water Reform Inquiry in 2017 failed to shift the dial on reforms in urban water by not drawing urgent attention to the challenges of the sector and not providing a meaningful national reform pathway. Calls in response to the 2017 *Draft Report* for an ambitious program of urban water reform from Infrastructure Partnerships Australia, as well as similar calls from organisations such as the Water Services Association of Australia and Infrastructure Australia, appear to have been largely ignored.

The three years following the last Inquiry have been characterised by 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.

The PC should take the lead on the transformation we all know is required

The PC's recommendation in the 2017 Inquiry *Final Report* to 'renew' the NWI through incremental change has achieved little. Clearly, 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.

Through the 2020 Inquiry, the PC should recommend an ambitious and actionable national reform agenda for the urban water sector, including principles to address the challenges outlined above. These principles should be clear, actionable and relevant to the sector, and governments should be accountable to them.

Australia cannot afford another three years of inaction. This PC 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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