



Every Queensland
community deserves
to be a liveable one

24 April 2024

Ms Joanne Chong
Commissioner
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Email: water.reform.2024@pc.gov.au

Dear Ms Chong,

RE: National Water Reform 2024 – Productivity Commission interim report

The Local Government Association of Queensland (LGAQ) is a not-for-profit association representing all 77 local governments across Queensland as the state-wide peak body for our sector.

The LGAQ welcomes the opportunity to provide feedback to the Productivity Commission's Inquiry into *National Water Reform 2024* and the associated Interim Report released for comment.

We understand this is the third inquiry the Productivity Commission has undertaken on the progress of water reform in Australia and acknowledge 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.

Queensland councils play a critical role in delivery of National Water Reform and the partnership between state and local government should be acknowledged in the interim report. In particular, the highly successful *Queensland Water Regional Alliance Program (QWRAP)* has delivered on National Water Initiative outcomes in Queensland Regional, Rural and Remote communities.

The LGAQ made an initial submission to the Inquiry in February 2024 and the attached submission, in response to the public release of the Interim Report, builds on the matters raised in our previous submission.

In total, the LGAQ has provided 9 key recommendations for the consideration of the Productivity Commission.

Please do not hesitate to contact Josephine Rafferty – Lead water and Wastewater Infrastructure should you wish to discuss any aspect of this submission.

Yours sincerely,

Alison Smith
Chief Executive Officer



Every Queensland
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National Water Reform 2024 – Interim Report

Submission to National Productivity Commission

April 2024

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About the Local Government Association of Queensland (LGAQ)

The Local Government Association of Queensland (LGAQ) is the peak body for local government in Queensland. It is a not-for-profit association established solely to serve councils and their needs. The LGAQ has been advising, supporting, and representing local councils since 1896, enabling them to improve their operations and strengthen relationships with their communities. The LGAQ does this by connecting councils to people and places; supporting their drive to innovate and improve service delivery through smart services and sustainable solutions; and providing them with the means to achieve community, professional and political excellence.

Partners-in-Government Agreement

The LGAQ on behalf of all 77 Queensland local governments is a signatory to a three-year partners-in-government-agreement with the State of Queensland.

The Agreement details the key principles underlying the relationship between the state and local governments and establishes the foundation for effective negotiation and engagement between both levels of government.

The Agreement acknowledges that local government is the closest level of government to the community, affecting the lives of everyday Queenslanders and acknowledging Local Government as a genuine partner in the Australian government system.

The intent of the Agreement was to continue the tradition of working in genuine partnership to improve the quality of life for all Queenslanders to enjoy. By identifying the roles and responsibilities of each party, it provides a solid foundation for effective negotiation and engagement between both levels of government.

The LGAQ is committed to working with the State Government and will continue to be a passionate advocate for councils, to serve our joint jurisdiction for the people of Queensland.

Rural and Remote Councils Compact

The Rural and Remote Councils Compact¹ signed on 25 June 2021, complements the existing Partnership in Partners-in-Government agreement in place between the LGAQ and the Queensland Government to provide a platform to ensure issues of priority for these communities are properly considered by the Government when developing policies, programs, and legislation.

The Rural and Remote Councils Compact, pledges to amplify the voice of and improve outcomes for the state's 45 rural and remote councils and their local communities by enhancing engagement between both levels of government.

¹ [Rural and Remote Councils Compact](#)

Water Reform 2024 – Productivity Commission Interim Report

1.0 Executive Summary

The LGAQ welcomes the opportunity to provide feedback to the Productivity Commission on the Interim Report released as part of the Inquiry into National Water Reform 2024.

The Inquiry is of considerable interest to the LGAQ and Queensland councils given its purpose to advise on the progress of all Australian governments in achieving the objectives, outcomes and timelines anticipated under the *2004 Intergovernmental Agreement on a National Water Initiative (NWI)*, consistent with the *Water Act 2007 (Cth)*.

In reviewing the Interim Report, the LGAQ understands the Productivity Commission has found that the 2004 National Water Initiative has served Australia well, but there is an urgent need for renewal, due to climate change and changing water demand. In addition, the Productivity Commission notes the progress towards meeting the outcome and objective of the 2004 National Water Initiative in Queensland is significantly advanced with many of the discrete actions under the NWI complete, and most jurisdictions continuing to make progress implementing their remaining and ongoing 2004 NWI commitments.

The LGAQ acknowledges the success of the NWI in progressing the objectives and outcomes of National Water Reform as evidenced in the regular assessments undertaken every 3 years and supports the renewal of objectives to include consideration of climate change and the inclusion of First Nations peoples in the discussion around the future of water.

The LGAQ represents the interests of councils that provide drinking water or wastewater services to their communities, regardless of the institutional arrangements under which this takes place. In Queensland, 69 councils provide these services directly, while the remaining provide them through council-owned statutory authorities. Other than regional New South Wales, Queensland is the only state or territory where councils continue to provide these services.

As such, Queensland councils play a critical role in delivery of National Water Reform through

- the delivery of urban water and wastewater services, such as treatment and distribution of water to and from urban premises and undertake activities that protect waterways and the ecosystems that they support.
- influencing water security directly by owning and managing bulk water supply infrastructure and water recycling infrastructure and through water security planning and demand management activities, and indirectly through land use and economic development planning.
- informing water security planning by influencing the need and timing for future water sources by reducing both current water demand through waterwise programs;

producing recycled water as an alternative water source and by managing future demand growth through sustainable planning choices.

- driving catchment management outcomes including streambank rehabilitation, revegetation, stormwater management including water sensitive urban design, reducing stormwater litter and erosion, and sediment control and revegetation to protect the water quality and environmental and social values of natural assets.

This role and the extent of the ongoing partnership between state and local governments should be recognised and acknowledged in the Interim Report. In particular, the highly successful Queensland Water Regional Alliance Program (QWRAP) has delivered on National Water Initiative outcomes across many Queensland regional, rural and remote communities.

The LGAQ has prepared this submission incorporating the agreed policy positions of local government in the LGAQ Policy Statement, previous Annual Conference resolutions and feedback from individual Councils and LGAQ Advisory Groups.

Given that objectives and outcomes of a new intergovernmental agreement on water have already been drafted by the Department of Climate Change, Energy, the Environment and Water (DCCEE) and released for public consultation ahead of the finalisation of the Productivity Commission renewal advice, the feedback provided in this submission is high level and focussed on matters that need to be re-prosecuted, strengthened or added to as a more complete and accurate assessment of the progress and success of the NWI.

In addition, the feedback is focused on the section of the Interim Report on Urban Water Reform including Urban Water Pricing, as this is most relevant to local government but also provides insight into balancing environmental management and regional development including transitioning our economy to meet net zero emissions targets.

1.1 Recommendations

The LGAQ has prepared detailed comments in relation to the recommendations, findings and information requests and renewal advice outlined in the Interim Report and has made 9 recommendations, summarised below:

- **Recommendation 1:** The LGAQ recommends the Federal Government engages directly with First Nations councils in Queensland to develop and define the framework around inclusion of the element "First Nations Water Interests" into the renewed National Water Initiative.
- **Recommendation 2:** The LGAQ recommends the Federal Government provides greater transparency and clarity in the renewed NWI by including all three levels of governments in decisions on relevant policy directions including prioritisation and infrastructure plans/funding programs. This includes how these are intended to be integrated to work seamlessly towards achieving desired water security outcomes including management of new and existing risks.
- **Recommendation 3:** The LGAQ recommends the Federal Government develops renewed common principles to guide investment (in infrastructure, knowledge, and capacity) where these have undergone appropriate stakeholder engagement to seek out and reflect the local knowledge and needs of urban water customers and First Nations peoples in balance with the needs of the environment and regional economic growth.

- **Recommendation 4:** The LGAQ recommends the Federal Government engages with local government in the development of renewed NWI pricing principles to ensure that the focus of urban water pricing is on affordable essential service delivery from investment decisions through to clear and consistent principle-based pricing practices (including where needed, a Community Service obligation payment).
- **Recommendation 5:** The LGAQ recommends the Productivity Commission updates its previous 2020 renewal advice on best-practice environmental objectives and outcomes, to integrate the advice with contemporary legislation and strengthen the NWI to improve definitions and reporting on environmental and other public benefit outcomes derived through aquatic environments.
- **Recommendation 6:** The LGAQ recommends the Federal Government, in partnership with the State Government, provides support and guidance to the urban water sector (including local government) on best practice - including defining a basic level of service and providing information systems to capture, share and make use of water data.
- **Recommendation 7:** The LGAQ recommends a partnership approach to addressing failing critical water and wastewater infrastructure via a dedicated, long term, strategic funding program - using a risk-based approach informed by an established minimum level of service and asset data (condition, criticality, age etc) with co-investment across all three levels of government.
- **Recommendation 8:** The LGAQ requests the Federal Government acknowledges the success of the QWRAP partnership between State, and local government and recommends the Federal Government help lift the national profile of the water sector, including highlighting the attractiveness and opportunities of working in the water industry.
- **Recommendation 9:** The LGAQ recommends the Federal Government reviews the Productivity Commission's 2020 renewal advice to ensure that local government are fully engaged in the development of agreed principles for governance of regional and remote water services where these are provided by local authorities and that renewal advice (12.5) is amended to recognise a more flexible approach to financial separation is needed in rural and remote communities in the absence of a clear community service obligation payment.

Please do not hesitate to contact Josephine Raftery, Lead – Water and Wastewater infrastructure via email Josephine.Raftery@lgaq.asn.au or phone 1300 542 700 should you wish to discuss any aspect of this submission.

2.0 Introduction

Overall, the LGAQ generally agrees with the Productivity Commission's Interim Report findings on the progress that has been achieved in National Water Reform and acknowledges that there is still work to be done, including the need for a renewed NWI to build on the 2004 agreement.

Recognising the critical importance of the NWI to Queensland, the LGAQ did make an initial submission to the Productivity Commission's current Inquiry into National Water Reform in February 2024, and would like to submit that this advice remains current and relevant. A summary of the key points raised in LGAQ's previous submission is provided below:

- In Queensland, local government is key to the delivery of safe and secure water to urban communities and plays a critical role in ensuring healthy waterways and reefs and therefore are partners in delivery of the objectives of the NWI.
- Queensland Water Regional Alliance Program (QWRAP) is regarded as a success in driving regional cooperation in water and sewerage service delivery in support of the objectives of the NWI.
- For local governments, there are a range of external pressures to keep urban water prices low and limited capacity to recover the full cost of service delivery in small and remote communities and in our First Nations communities in particular.
- Water is a resource that should be shared equitably through institutional arrangements that facilitate efficient service delivery and resource use. Providing drinking water to communities is an essential service and should take precedence over other allocations where competition for limited water resources exists.
- The LGAQ is seeking a partnership approach to addressing failing critical water & wastewater infrastructure via a dedicated, long term, strategic funding program with co-investment across all three levels of government.
- The QWRAP program aims to address some of the issues that councils have experienced in being able to attract, train and retain workers needed for the complex and demanding processes in their water businesses. There is a role for Federal Government to lift the national profile (attractiveness, and capacity) of the water sector and provide support and guidance on best practice information systems to capture, share and make use of water data.

In preparing this current submission, it has been structured to reflect the sections of the Interim Report containing the findings, recommendations, and information requests of the Productivity Commission. Direct feedback on the content of the Interim Report adds to the LGAQ's previous advice noted above, rather than supersedes or updates it, and a response is provided only where relevant to our members and current advocacy priorities on water matters.

2.1 LGAQ Policy Statement and Annual Conference Resolutions

The LGAQ is committed to member driven advocacy and working with members to build stronger local government and more resilient local communities.

Local government's interests in water are broad and include not only urban water supply and services, but water security for regional growth, the quality of water for the environment and ensuring that water is affordable through responsible investment in infrastructure and fair pricing principles.

The LGAQ Policy Statement² is a definitive statement of the collective voice of local government in Queensland and provides several key policy positions of local government that are relevant to the Productivity Commission's Inquiry (see **Attachment 1**).

In addition, there are a number of resolutions passed by Queensland councils at previous LGAQ Annual Conferences that should be considered by the Productivity Commission in undertaking its Inquiry into National Water Reform (see **Attachment 2**).

² LGAQ Policy Statement (2023) – available online [here](#).

3.0 Response to Interim Report

Overall, the LGAQ agrees with the inclusion of a new element of an enhanced commitment to First Nations participation in water management and a recognition for the need to address new challenges to water security in a changing climate, under the renewed NWI.

However, it is critical that local government are recognised as partners in the delivery of water reform in Queensland. As the level of government closest to their communities, Queensland councils offer a unique perspective and opportunities to address these new elements as well as many of the outstanding challenges of water reform.

Engagement with local governments is, therefore, key to the delivery of better outcomes for communities.

The following section provides further advice and information in response to various elements outlined in the Productivity Commission's Interim Report.

3.1 First Nations' Water Interests

As noted above, the LGAQ supports the inclusion of First Nation's interests in the renewed NWI. In Queensland, there are 17 remote and discrete First Nations councils elected from within their communities to represent local interests, including water interests. This is in addition to the role that First Nations councils play as water service providers to towns in their jurisdictions.

The LGAQ, therefore, supports the inclusion under the 'Water planning' section of the Interim Report (Renewal Advice 6.2) to develop partnerships to improve engagement with Traditional Owners and communities. Effective stakeholder engagement should recognise the key role that local governments play in their communities with respect to water and seek to engage early and openly with councils in the water planning process.

LGAQ response to 'information request 2.1' included in the Interim Report:

Information request 2.1 - What are the policy, administrative or other barriers to First Nations Peoples being able to access and own water, particularly from Strategic Aboriginal Water Reserves in Queensland, Western Australia and the Northern Territory?

The LGAQ reasserts the role of local government as representing the interests of their community and that engagement with First Nations councils should be mandatory when developing a framework for the inclusion of this new element into the NWI. This will ensure that conversations around water rights for cultural use occurring at the same time as ongoing programs and support for delivery of safe and secure drinking water for First Nations communities are coordinated and do not cause confusion or consultation fatigue.

Recommendation 1: The LGAQ recommends the Federal Government engages directly with First Nations councils in Queensland to develop and define the framework around inclusion of the element "First Nations Water Interests" into the renewed National Water Initiative.

3.2 Water security in a changing climate

The Productivity Commission lists 3 draft recommendations in the Interim Report under the topic of water security in a changing climate. The LGAQ agrees that parties should:

- *Incorporate a shared understanding of water security priorities in the renewed NWI,*
- *Consider all extreme climate events in water planning, and*
- *Understand and incorporate the new economic demands on Water for net zero.*

Detail is provided on each on these below.

3.2.1. *Incorporate a shared understanding of water security priorities in the renewed NWI*

In particular the LGAQ agrees with the statement:

A renewed commitment to cross-jurisdictional cooperation will increase certainty and help to ensure that the evolution towards sustainable and equitable management of water that the NWI encouraged continues on a national scale. It will promote best practice to be developed and shared, reduce duplication and improve efficiencies and outcomes (Interim Report, page 7).

The commitment to cross-jurisdictional cooperation should extend to the development of a shared understanding of water security priorities and should include local government. In Queensland, local government is key to the delivery of safe and secure water to urban communities and plays a critical role in ensuring healthy waterways and reef and therefore are partners in delivery of the objectives of the NWI.

3.2.2. *Consider all extreme climate events in water planning*

A renewed NWI needs to include consideration of extreme climate events, beyond drought, particularly noting the impacts of cyclone and storm events across Queensland in the previous season. The increasing frequency and intensity of extreme weather events as a result of climate change will substantially affect Queensland communities and assets, requiring adequate modelling and information to build resilience.

The LGAQ Policy Statement (2023) outlines councils' commitment to work in partnership with all spheres of government, industry and the community to implement effective climate risk management, given access to appropriate data, methodologies, standards and codes from the Federal and State governments to ensure responses to climate risk are safe, timely, proportionate and equitable.

Consideration of extreme climate events such as flooding, storm, and bushfires in water planning should be based on high quality modelling and data to mitigate the disruption to water supply and infrastructure.

3.2.3. *Water for net zero*

The LGAQ agrees that transitioning to a net zero emissions future is not possible without secure water supply and efficient prioritisation, planning and management of limited water resources. History has shown the impacts that transition can have on local communities when not done right. Regional areas in Australia contribute significantly to the economy. The Regional Australian Institute estimates that regional Australia accounts for around 40 per cent of national economic output and employs around one third of Australia's workforce. The mining,

agriculture and manufacturing industries have traditionally been the driving force of economic growth.

A key part of the energy transformation for Regional Australia is to ensure energy projects support existing industries and communities and generate greater employment opportunities. A reliable and long-term water supply is of vital importance to improve and sustain the liveability of regions and to meet the growing requirements of industry and population including the transition to net zero. Many of these new energy technologies have a significant water demand.

LGAQ response to 'information request 3.1' included in the Interim Report:

Information request 3.1 - *What nationally agreed priority outcomes of water security should form part of a renewed NWI? How should these outcomes be treated when considering trade-offs between competing priorities and the management of risk when addressing water security concerns?*

The LGAQ's recent research on cost-shifting has highlighted that in stepping in to deliver services essential to the liveability of their communities when the Federal and State government and the private market fail to do so, local governments are at increasing risk of being financially unsustainable. This research found cost-shifting has increased from \$47 million a year in 2001/2002 to \$360 million in 2021/2022.

The management of risk when addressing water security concerns should consider whether the burden of risk management further shifts costs to local government to deliver outcomes when they are not parties to the intergovernmental agreement and do not have oversight or agency in decision-making around priorities.

In addition, the LGAQ offers the following response based on a number of current policy positions:

- The State Government must ensure no community is substantially disadvantaged in terms of basic access to, and price of a reasonable supply of potable water (Policy Statement 8.5.1.2.)
- Local government recognises it has primary responsibility for providing potable water services to Queensland communities. Local government recognises water is a resource that should be shared equitably across each region through institutional arrangements that best facilitate efficient service delivery and resource use. (Policy Statement 8.5.1.1.)
- Local government believes 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 water sector. (Policy Statement 8.5.1.4.)

Recommendation 2: The LGAQ recommends the Federal Government provides greater transparency and clarity in the renewed NWI by including all three levels of governments in decisions on relevant policy directions including prioritisation and infrastructure plans/funding programs. This includes how these are intended to be integrated to work seamlessly towards achieving desired water security outcomes including management of new and existing risks.

LGAQ response to 'information request 4.1' included in the Interim Report:

Information Request 4.1 - *How can a renewed NWI assist jurisdictions in establishing a consistent approach to developing climate change triggers and rebalancing processes? How can common principles help manage uncertainty, and jurisdictional and regional differences?*

Continued research and investment in securing urban water supplies (including alternative water sources) and water modelling that includes all sources of water in rebalancing processes, brings in climate change scenarios and First Nations experiences around water management, is critical to our future water security.

For example, research (including water modelling) that supports better understanding of the connection between surface and groundwater systems would support the protection and sustainable use of this important resource. Carbon capture and storage (CCS) is a way of reducing carbon emissions, and involves capturing the carbon dioxide, transporting it; and then storing it deep underground for example in groundwater aquifers. Due to a significant proportion of Queensland relying on water resources from the Great Artesian Basin (GAB), communities have concerns regarding the use of CCS, particularly for those communities which rely on the GAB for potable water supply and this important source of water must be protected. (Annual Conference Resolution 70 (2023))

Another example is that the Australian Government, through the National Water Grid Fund should be investing heavily in water conservation research on models of alternative water supply (desalination and recycling) that value the protection of local ecosystems to provide suitable data for Councils and water authorities and retailers in producing business cases for water reuse. Reuse of wastewater is expensive and delivers low returns and its treatment is a service no-one wants to pay for. Local Government are not always best placed to engage and advocate for increasing the uses for treated wastewater, and to seek out and encourage water-reuse markets, to drive investment in water reuse, or reclaimed wastewater solutions. To shift the narrative from consumptive water, wastewater and environmental water to one where the urban water cycle is in sync with the natural water cycle and driven by an integrated circular economic model will require collaboration and investment across all three levels of government. ([Annual conference resolution 42 \(2022\)](#))

The visionary objective of the 2004 National Water Initiative for total water cycle management becoming business as usual has fallen far short of expectations. A process to incorporate alternative water sources including stormwater and recycled water into access entitlements would make it more attractive.

Renewed common principles that elevate this objective to a core element of best practice water planning would help promote certainty and cross jurisdictional knowledge sharing.

Recommendation 3: The LGAQ recommends the Federal Government develops renewed common principles to guide investment (in infrastructure, knowledge, and capacity) where these have undergone appropriate stakeholder engagement to seek out and reflect the local knowledge and needs of urban water customers and First Nations peoples in balance with the needs of the environment and regional economic growth.

All other NWI renewal advice for Water Security is in principle supported by the LGAQ.

3.3 Best practice water pricing and institutional arrangements

The LGAQ acknowledges the Productivity Commission's finding that *"some governments have moved away from NWI commitments to deliver cost reflective and consumption-based pricing"* (Interim Report, page 17).

For local governments, there are a range of external pressures to keep urban water prices low and limited capacity to recover full cost of service delivery in small rural and remote communities, and in our First Nations communities in particular. As population shifts and rate bases change, so does the ability of councils to raise their own revenue.

The LGAQ has recently adopted a set of Urban Water Pricing Principles for urban bulk water prices in collaboration with Sunwater and the Queensland Water Directorate. The need for water prices to cover the operational and capital costs of providing the service is understood, but the reality of cost-reflective pricing where services are provided by local government is that without some kind of subsidy, water supply service delivery in some smaller communities would be unaffordable.

Any attempts at price regulation where the framework is not cognisant of the local context in which water services are being provided, are likely to force prices higher than public expectation and consideration should be given to a Community Service Obligation payment ([Annual Conference Resolution 33 \(2021\)](#))

In addition, LGAQ agrees with the finding that *Some government decision making for major water infrastructure is not fully compliant with the NWI*. Investment decisions made by State Government impacts on Regional Councils' financial sustainability, with the costs of major dam infrastructure and pipelines being passed on to consumers through urban bulk water prices which under the NWI pricing principles include costs of return on capital investment.

The LGAQ supports the renewal advice (11.3) that jurisdictions should commit to light touch independent economic oversight for small regional and remote urban water providers but assert that monopoly corporations providing bulk water services to urban customers in regional Queensland should be subject to independent assessment of water prices for transparency, accountability, and fairness.

Recommendation 4: The LGAQ recommends the Federal Government engages with local government in the development of renewed NWI pricing principles to ensure that the focus of urban water pricing is on affordable essential service delivery from investment decisions through to clear and consistent principle-based pricing practices (including where needed, a Community Service obligation payment).

All other NWI renewal advice for pricing and institutional arrangements is in principle supported by the LGAQ.

3.4 Integrated management of water for environmental and other public benefit outcomes

The LGAQ agrees with the draft findings that *Environmental and other public benefit outcomes are inconsistently specified (7.1); Reporting on environmental outcomes is overall inadequate,*

particularly for planned environmental water (7.2); and independent review of environmental outcomes is absent in many jurisdictions (7.3).

A renewed NWI requires a nationally coordinated approach to identify, monitor, and report against the economic, social, environmental and cultural outcomes delivered through the NWI.

Queensland councils, through the LGAQ Policy Statement (2023), recognise the need to sustainably utilise Australia's natural resources for current and future generational needs. Within the context of the Initiative, this is especially important for Queensland's rural and remote communities which strongly rely upon the ecosystem services provided by freshwater resources.

Within Queensland, the *Environmental Protection (Water and Wetland Biodiversity) Policy 2019* (Qld) sets, or aims to set, environmental values (EVs) and water quality objectives (WQOs) across Queensland's aquatic environments. EVs define the uses of water by biological and anthropocentric users (e.g. drinking water, irrigation, aquaculture, recreation), whereas WQOs define objectives for the physical, chemical and biological characteristics of water to sustain the identified EVs³. To date, reporting of EVs and WQOs across Queensland's aquatic environments is not conducted in a consistent manner (both spatially and temporally), and thus restricts the ability for stakeholders to identify, monitor and remediate those aquatic environments that are not sustaining identified EVs.

As such, the LGAQ supports the need for the identification and reporting of environmental and other public benefits derived through aquatic environments as reported in the Interim Report.

The LGAQ agrees with the Productivity Commission's (2020) renewal advice on environmental management (8.1) that:

*Waterways or water dependent ecosystems should be considered high environmental priority if they have one, or more, of the following characteristics:
-formally recognised significance (under Australian or State Government legislation)
(Interim Report, page 32)*

Since the 2020 renewal advice, amendments to Queensland's principle planning legislation (now the *Planning Act 2016* (Qld)) has resulted in the ability for local governments to identify and protect Matters of Local Environmental Significance (MLES) – being those environmental values that are valued at a local level and not already protected by national (i.e. *Environment Protection Biodiversity Conservation Act 1999* (Cwth)) or State (i.e. *Nature Conservation Act 1992* (Qld)) legislation – through their local planning instruments.

With this regulatory recognition at a State Government level and acknowledging that local environmental values are just as important to local communities as those set at a national level, it is recommended that the criteria for recognising high-priority waterways or water-dependent ecosystems in water plans is expanded to also include those values formally recognised at a local level (i.e. through a local government's planning scheme).

In addition to the identification of MLES, the LGAQ strongly recommends that a renewed NWI has strong linkages to the Australian Government's Nature Positive Reform, specifically the

³ [Environmental Protection \(Water and Wetland Biodiversity\) Policy 2019](#)

draft *National Environmental Standard for Regional Planning*⁴ (*NES for Regional Planning*). The objective of the draft *NES for Regional Planning* is to "... provide a tool to deliver net positive outcomes for Matters of National Environmental Significance (MNES) in regional plan areas where there is conflict between development priorities and environmental and heritage values."⁵, and is to be developed collaboratively with local communities, local government, First Nations groups and other relevant stakeholders.

As such and given the regional nature of the proposed regional plans, it is recommended that the *NWI renewal advice 8.1: Best-practice environmental objectives and outcomes* be updated to formally recognise the role of local government in identifying MLES and including the need to integrate the NWI with, the Australian Government's Nature Positive Laws - specifically the draft *National Environmental Standard for Regional Planning*.

All other NWI renewal advice for environmental management is in principle supported by the LGAQ.

Recommendation 5: The LGAQ recommends the Productivity Commission updates its 2020 renewal advice on best-practice environmental objectives and outcomes, to integrate the advice with contemporary legislation and strengthen the NWI to improve definitions and reporting on environmental and other public benefit outcomes derived through aquatic environments.

The LGAQ also agrees with the finding that *some regional and remote areas still do not have access to safe drinking water supply (9.1)* and attempts to redress this gap are hampered by the finding that *There continues to be a lack of consistency and transparency in relation to the publication of drinking water quality data (9.2)*.

However, there is a lack of clarity and consistency in the setting of standards and regulation for safe drinking water that needs to be addressed. In Queensland, the State Government's *Guideline for the preparation, review and audit of drinking water quality management plans*⁶ implies that providers are to reference the *Australian Drinking Water Guidelines (ADWG)*⁷ as the preferred risk management framework for drinking water supplies.

The *ADWG* clearly references the application of the water safety continuum (aka health-based targets) to guide improvement actions to ultimately achieve "safe" water quality values. In Rural and remote communities, any conventional treatment processes will fall in either the unsafe or marginal scale of the continuum for which the *ADWG* recommends additional protection or treatment is required and immediate action should be discussed with the regulator.

The State Government as the water regulator in Queensland, is indicating it is not compulsory to implement health-based targets but has not disclosed an alternative improvement path. As such, water service providers (including local government) can only assume the intent is follow the recommendations in the *ADWG*.

The LGAQ has requested that the regulator make clear the expectations of providers to comply with the *ADWG* which effectively uses a health-based target framework.

⁴ [National Environmental Standard for Regional Planning](#)

⁵ [Consultation on National Environmental Law 21-23 February 2024](#)

⁶ [Guideline for the preparation, review and audit of drinking water quality management plans 2022](#)

⁷ [Australian Drinking Water Guidelines 2011](#)

As reflected in 2023 LGAQ Annual Conference motion 141 which calls on the State Government to *clarify expectations for asset improvements in meeting drinking water quality ensuring a consistent interpretation and approach for all Queensland water service providers*, setting clear and unambiguous minimum standards for safe drinking water in Queensland is a prerequisite for achieving consistent and sustainable potable water supply in rural and remote communities.

Local governments have also sought the development of a basic standard of service for urban water provision supported by subsidies provided as a community service obligation since a motion was passed by Queensland councils in 2021 (Resolution 33).

Recommendation 6: The LGAQ recommends the Federal Government, in partnership with the State Government, provides support and guidance to the urban water sector (including local government) on best practice - including defining a basic level of service and providing information systems to capture, share and make use of water data.

In Queensland, the water and sewerage asset base is valued at more than \$40 billion - including 76,000 km of in-ground assets owned by local government owned and/or operated water service providers. Many of Queensland's pipes are around 70 years old (the average useful life) and typical rates of asset replacement are below that needed to keep pace with ageing infrastructure.

The State Government historically provided 40 per cent of funding for all water and sewerage related infrastructure in Queensland, which meant that funding for renewals was relatively consistent. Since 2009, this has been replaced with a competitive grants-based funding approach, with Federal and State investment focussing on new and visible infrastructure.

The last ten years has also seen population decline in parts of regional Queensland which has seriously impacted local governments' ability to finance water services through rates - impacting all elements of water services including capital investment in renewals and strategic maintenance of major water infrastructure, much less see a return on historical capital investment as required under full-cost pricing principle of the National Water Initiative.

Compliance with NWI infrastructure investment decisions at all levels from prudent investment in major infrastructure to price regulation and oversight and pricing principles that are appropriate to local context ensures secure and affordable water is a right enjoyed by all Australians regardless of where they live.

Recommendation 7: The LGAQ is seeking a partnership approach to addressing failing critical water and wastewater infrastructure via a dedicated, long term, strategic funding program - using a risk-based approach informed by an established minimum level of service and asset data (condition, criticality, age etc) with co-investment across all three levels of government.

Ensuring local government as water service providers have not only the infrastructure in place, but also the skills, capacity and knowledge to understand what is required and to undertake necessary actions is critical to support the current process of monitoring and data capture and regulation.

The LGAQ agrees with the renewal advice (12.6) on *Monitoring and reporting on regional and remote service quality*, particularly in remote communities. However, whether these are First Nations communities or remote rural communities the challenges of meeting water quality outcomes are challenging.

The scope and extent of mandatory reporting should be fit-for-purpose and not be more onerous than the expected benefit it provides. This is particularly true if the benefit falls more to the receiver of the data with the cost shifted to the reporting organisation.

Any move towards increasing the administrative burden of compliance is likely to exacerbate existing skills and capacity shortages being experienced in the water sector. Queensland councils have experienced increased difficulty in being able to attract, train and retain workers needed for the complex and demanding processes in their water businesses.

These workers are needed across key disciplines and expertise such as asset management, strategic long-term planning, water quality management, process engineering, plant operations and water security planning.

The LGAQ in partnership with State Government and the Queensland Water Directorate, has supported regions in addressing some of these challenges through the highly successful Queensland Water Regional Alliance Program (QWRAP)⁸. Regional water alliances have shown that given the right support and guidance, local government is best placed to work across borders to address water services issues, including drinking water quality concerns in their communities. The strong progress of Queensland local government in urban water reform is tied to QWRAP and this should be acknowledged in the Interim Report to ensure the program's continued funding and support.

Recommendation 8: The LGAQ requests the Federal Government acknowledges the success of the QWRAP partnership between State, and local government and recommends the Federal Government help lift the national profile of the water sector, including highlighting the attractiveness and opportunities of working in the water industry.

The LGAQ does not completely agree with renewal advice 12.5 on *Governance of regional and remote services*. While we support the suggestion that a renewed NWI should contain agreed principles for governance of regional and remote water services, where local governments retain ownership of utilities, we are concerned that this must occur in consultation with local governments who will be impacted by these principles particularly the advice that clear roles for State and Local Governments during extreme events should be defined.

In addition, the LGAQ does not agree with the advice (12.5) that includes *financial separation should be maintained, with utility finances ring fenced from local government finances*.

The LGAQ does not support any initiatives that reduce the flexibility of councils to make decisions for the benefit of their communities. This includes making decisions on the best timing for investment decision. While councils are using utilities income for utilities operating and capital expenditure, ring fencing for smaller councils who rely on subsidising their water business with other sources of funding would impede on this flexibility and is not supported by

⁸ [Queensland Water Regional Alliance Program](#)

the LGAQ. The ability of very small councils to maintain the financial sustainability of utilities with finances ring-fenced would be challenging. This advice should be amended to recognise the need for a nuanced approach that does not unfairly impact small and remote councils.

Recommendation 9: The LGAQ recommends the Federal Government reviews the Productivity Commission's 2020 renewal advice to ensure that local government are fully engaged in the development of agreed principles for governance of regional and remote water services where these are provided by local authorities and that renewal advice (12.5) is amended to recognise a more flexible approach to financial separation is needed in rural and remote communities in the absence of a clear community service obligation payment.

All other NWI renewal advice for urban water reform is in principle supported by the LGAQ.

4.0 Conclusion

Overall, the LGAQ supports the findings, recommendations and advice provided in the Interim Report, to inform a renewed National Water Initiative. To ensure that a renewed agreement continues to be meaningful and effective, it should build on the existing NWI to address the challenge of climate change and improve on engagement with and participation of First Nations peoples, it should also strengthen consultation with all local communities that rely on Australia's precious water resources for liveability and economic prosperity.

As the level of government closest to the community, local government are uniquely placed to connect landscape, land use and community in the planning and management of the water cycle in their jurisdictions and seek to partner with all levels of government in securing safe, sustainable and affordable water supply for local communities.

Recommendations made on this Interim Report provide local context, align policy positions, and aim to strengthen the water planning and management partnership between jurisdictions by acknowledging the crucial role of local government in Queensland in water service delivery, demand management and total water cycle management.

The LGAQ welcomes the Productivity Commission's review and advice that keeps State and Federal governments accountable for their roles in this partnership. Regular monitoring and review ensure that we continue to work within a robust, adaptable and evidence-based water planning and management framework, however the local government sector would support the reinstatement of the National Water Commission to provide oversight and maintain momentum gained in the first 10 years of the agreement for the future success of the NWI.

Attachment 1: LGAQ Policy Statement

The LGAQ Policy Statement⁹ is a definitive statement of the collective voice of local government in Queensland. The relevant policy positions of local government in the context of the Productivity Commission's Inquiry are as follows:

Water Supply and Sewerage

8.5.1 Institutional Arrangements

- 8.5.1.1 Local government recognises it has primary responsibility for providing potable water services to Queensland communities. Local government recognises 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 no community is substantially disadvantaged in terms of basic access to, and price of a reasonable supply of potable water.
- 8.5.1.3 Local government supports the setting of a minimum standard for water and sewerage services across Queensland, with the instalment of a community service obligation, levelling the actual cost of providing water and sewerage services to local communities based on the average price in South East Queensland.
- 8.5.1.4 Local government believes 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 water sector.
- 8.5.1.5 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.
- 8.5.1.6 Local government believes 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.
- 8.5.1.7 Where regional water supply schemes across a number of councils are considered advantageous by the group of councils, joint local governments or local government owned corporations are the preferred approach rather than a separate Statutory Authority.
- 8.5.1.8 The role of individual councils in water retailing should be maintained in any changes to institutional arrangements.
- 8.5.1.9 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.

⁹ <https://www.lgaq.asn.au/downloads/file/183/2019-lgaq-policy-statement>

- 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 that 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.
- 8.5.4.4 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 it has primary responsibility for the collection and treatment of wastewater and disposal of treated wastewater in urban areas.
- 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.

Climate Risk Management

3.5.1 Role of local government

- 3.5.1.1 Local government is committed to providing a leadership role to assist local communities, including industry, to understand and address climate risk including acute and chronic physical risks and transition risks associated with moving to a low carbon economy.
- 3.5.1.2 Local government is committed to working in partnership with all spheres of government, industry and the community to develop and implement effective climate risk management, given strategies focusing on emissions reduction and adaptation.
- 3.5.1.3 Local government is committed to utilising the best available scientific information, robust risk assessment methodologies and community engagement when developing climate risk management strategies and action plans, establishing priorities and the allocation of resources.

3.5.2 Empowering local government and communities to take climate risk management action

- 3.5.2.1 Local government seeks appropriate policy and legislative frameworks from the Federal and State governments to allow necessary decision making and responses to climate risk to occur without prejudice or undue risk exposure to councils.
- 3.5.2.2 Local government seeks timely access to high quality, nationally consistent but locally appropriate data, methodologies, standards and codes from the Federal and State governments to ensure responses to climate risk are safe, timely, proportionate and equitable.

Environment and Natural Resource Management

5.2.1 Sustainable Natural Resource Management

- 5.2.1.1 Local government is committed to the sustainable use of Australia's natural resources for the intergenerational benefit of the broader community.
- 5.2.1.2 Local government seeks full and comprehensive consultation with relevant government agencies on proposals for the exploration and extraction of natural resources and associated activities that pose potential negative impacts to local communities.
- 5.2.1.3 Local government seeks ongoing support for local communities impacted by the extraction and exploitation of natural resources and associated activities within their local government area.
- 5.2.1.4 Local government supports the protection of natural resources to ensure the future sustainability of local communities and their industries.

5.3.1 Natural Asset Management

- 5.3.1.1 Local government is committed to protect, enhance and maintain natural assets as well as provide support to community groups and private landholders to encourage stewardship and sound land management.
- 5.3.1.2 Local government recognises and upholds the inclusion of natural asset management (NAM) issues and priorities identified at a national, state, regional and local scale into its community, corporate, strategic, operational and land use plans.
- 5.3.1.4 Local government seeks formal recognition as a key contributor in the development of natural asset management legislation, programs and policies, including the development of grants programs.

- 5.3.1.5 Local government acknowledges the links to country, knowledge, rights and roles of Traditional Owners and seeks to build stronger partnerships with First Nations people for the delivery of shared goals in natural asset management.

5.3.2 Regional Natural Asset Management (NAM)

- 5.3.2.1 Local government acknowledges the need for integrated and coordinated regional, sub-regional and catchment approaches to natural asset management.
- 5.3.2.2 Local government supports the concept of natural asset management governance arrangements with appropriate funding allocations that have links to other regional/local planning processes; streamlined administrative processes; clear communication channels; reduced duplication of effort and better governance integration.
- 5.3.2.3 Local government supports genuine and comprehensive consultation in the development, implementation and review of regional NAM plans and investment strategies.
- 5.3.2.4 Local government is committed to using its resources including planning responsibilities and links with the community to achieve mutually agreed local and regional natural asset management outcomes.

5.3.6 Catchment Management

- 5.3.6.1 Local government recognises the significance of its role in delivering sound catchment management activities including streambank rehabilitation, revegetation, stormwater management including water sensitive urban design, reducing stormwater litter and erosion, sediment control and revegetation to deliver outcomes that protect the natural assets of a catchment.
- 5.3.6.2 Local government seeks to simplify the management of waterways through the development of streamlined legislation and other processes to support sound environmental outcomes.

Attachment 2: LGAQ Annual Conference Resolutions

The LGAQ is committed to member driven advocacy and working with members to build stronger local government and more resilient local communities. In the context of the Productivity's Inquiry, there are several previous LGAQ Annual Conference resolutions of relevance, listed below:

- Resolution 141 (2023) - Clarify expectations for asset improvements in meeting drinking water quality ensuring a consistent interpretation and approach for all Queensland water service providers.
- Resolution 140 (2023) - Consult with local government and conduct economic impact assessments to identify new bulk water sources that provide reliable and long-term water supply for industry and population growth in regional areas.
- Resolution 70 (2023) - Work collaboratively to protect the Great Artesian Basin for regional communities, as it is the only reliable source of fresh water for much of inland Australia.
- Resolution 42 (2022) - Help regions become more resource independent through efficient use and re-use of wastewater by updating wastewater re-use and recycling markets and technologies.
- Resolution 116 (2022) - Ensure Regional Infrastructure Plans are developed in close consultation with local government, aligned with the relevant statutory regional plans and are recognised by all State agencies as the key driver for State infrastructure delivery in each region.
- Resolution 50 (2022) - Provide local governments with resourcing to support communities in planning for transition to a lower carbon future, both on a local government area and regional basis.
- Resolution 44 (2022) - Work with the LGAQ and other peak bodies to investigate solutions to existing workforce challenges associated with developing, attracting, and retaining a skilled water industry workforce in Queensland, building on the work undertaken under the Queensland Water Skills Partnership.
- Resolution 89 (2022) - Assist with water security by classifying water services as 'essential users' under the Liquid Fuel Emergency Act 1984.
- Resolution 118 (2022) - Ensure long-term investment in operational and capital funding for water and sewerage networks to ensure water security by reintroducing an ongoing and dedicated subsidy program for maintenance of ageing water and sewerage infrastructure.
- Resolution 33 (2021) – Investigate a community service obligation payment to local government for supply of water, waste, and sewerage services to achieve cost neutrality by setting a minimum standard.