



Submission to the Productivity Commission - National Water Reform 2026 Inquiry

April 2026

About the Concerned Waterways Alliance

The Concerned Waterways Alliance (CWA) is a network of community and environment groups from Gippsland to the Otways. We share a deep concern about the degraded state of southern Victoria's rivers, wetlands and aquifers, and are committed to improving their health for the benefit of current and future generations.

Member groups include Friends of the Barwon, People for a Living Moorabool (PALM), Werribee River Association, Maribyrnong River and Waterways Association, Friends of Steele Creek, Environment Victoria, Environmental Justice Australia, Kooyongkoot Alliance, Yarra Riverkeeper Association, Friends of Latrobe Water, Friends of the Gippsland Lakes, Gippsland Environment Group, and The Waterways Network.

We represent an informed community voice grounded in decades of on-the-ground knowledge of Victorian catchments. Our submission draws on member expertise, published reports, and our extensive record of engagement with government on water policy. We are commenting from a Victorian perspective.

The CWA has made submissions to the National Water Initiative review (2024)¹, the Essential Services Commission², Victorian parliamentary committees³, Infrastructure Victoria⁴, and

¹ Concerned Waterways Alliance (CWA), *Submission to the National Water Initiative Discussion Paper*, May 2024, <https://concernedwaterwaysalliance.org/submissions/>

² Concerned Waterways Alliance (CWA), *Submission to the Essential Services Commission Review of New Customer Contributions*, 15 November 2024, <https://concernedwaterwaysalliance.org/submissions/>

³ Concerned Waterways Alliance (CWA), *Submission to the Victorian Legislative Council Environment and Planning Committee – Inquiry into Climate Change Impacts on Victoria's Built Environment and Infrastructure*, 17 June 2025, <https://concernedwaterwaysalliance.org/submissions/>

⁴ Concerned Waterways Alliance (CWA), *Submission to Infrastructure Victoria Draft 30-Year Infrastructure Strategy*, April 2025, <https://concernedwaterwaysalliance.org/submissions/>

various Commonwealth inquiries including the Senate Select Committee on PFAS⁵. This submission builds on that body of work.

Executive Summary

Southern Victoria's rivers are in crisis. Inflows have declined by up to 20% across the region⁶ in the last 20 years. Many of our most significant waterways such as the Moorabool, Barwon, Maribyrnong, Latrobe, Yarra Birrarung and Werribee remain chronically over-allocated and flow-stressed, with sustainable diversion limits that have not been updated to reflect the realities of climate change.

Progress against National Water Initiative (NWI) commitments in Victoria has been slow, uneven, and in some areas is being reversed. Farm dam registration and compliance remain inadequate. Plantation forestry interception is expanding without a licensing framework. PFAS contamination of waterways continues without enforceable national standards. And a new structural demand in hyperscale data centres has emerged without commensurate water governance.

The CWA makes the following priority recommendations in this submission:

- Sustainable diversion limits should be urgently revised across southern Victoria to incorporate climate change scenarios.
- Cumulative interception from farm dams and plantation forestry should be properly regulated and accounted for.
- Independent economic regulation should be strengthened and protected from political interference.
- A binding national PFAS framework, with enforceable standards, is overdue.
- Emerging industrial water demands — particularly from hyperscale data centres — require mandatory disclosure and enforceable efficiency standards before cumulative impacts become embedded in household tariffs and undermine environmental flow recovery commitments.
- A reinstated national body in the tradition of the National Water Commission is needed to restore momentum on reform and provide expert, independent oversight.
- The Single Living Entity concept recognising rivers as whole, integrated, living systems should be formally adopted as a governing principle in the NWA, translating Victorian policy leadership, best available ecological science and Traditional Owner advocacy into national governance.

⁵ Concerned Waterways Alliance (CWA), *Submission to the Australian Senate Select Committee on PFAS*, 11 December 2024, <https://concernedwaterwaysalliance.org/submissions/>

⁶ Victorian Government (DELWP), *Long-Term Water Resource Assessment for Southern Victoria* (2022) https://www.water.vic.gov.au/_data/assets/pdf_file/0019/664210/long-term-water-resource-assessment-for-southern-victoria.pdf

Part A – NWI Assessment

1. Progress since the 2024 NWI Assessment

1.1 Where progress has occurred

The CWA acknowledges a number of positive developments in Victoria since the 2024 NWI assessment:

- The gazettal of Amendment VC278⁷ in December 2025 establishes permanent planning controls to protect 17 urban waterway corridors in Melbourne and western Victoria. This is a landmark planning outcome that the CWA and member groups campaigned for over several years.
- The Victorian Government's GM2030 Sustainable Yield Assessment⁸, released in early 2026, establishes a credible baseline for groundwater management across the state. This is a significant achievement, though as noted below, protections are not yet adequate.
- Southern Rural Water (SRW) has separated licensing and compliance functions in response to the Moorabool catchment farm dam crisis, which is a step in the right direction, though the CWA maintains that fully independent compliance is required.
- The Victorian Minister for Water's public confirmation (February 2026)⁹ that large water users will be expected to prioritise non-potable sources, and that users exceeding 100 ML per year will face public reporting obligations, signals some recognition of the emerging data centre demand challenge.
- Victoria's Essential Services Commission (ESC) has maintained the PREMO framework for water pricing, which continues to provide a stronger regulatory basis than in many other jurisdictions.

1.2 Where progress has been limited, slower than expected, or reversed

Despite some positive steps, the CWA is concerned that on the issues that matter most to the health of Victorian rivers, progress has stalled or deteriorated:

Sustainable diversion limits (SDLs) in southern Victoria have not been updated to reflect the well-documented 20% decline in inflows over the past two decades. The methodology used to set SDLs outside the Murray-Darling Basin remains outdated, lacks ecological criteria, and makes no reference to climate change. Rivers like the Moorabool which have seen natural inflows reduced by 90% by impoundments¹⁰ and now face a 20% reduction in catchment inflows are operating under SDLs set for a

⁷ Victorian Government, *Amendment VC278 to the Victoria Planning Provisions*, Department of Transport and Planning, gazetted 23 December 2025, <https://planning.vic.gov.au/guides-and-resources/strategies-and-initiatives/waterways-planning/planning-controls-for-waterways>

⁸ Victorian Government (DEECA), *GM2030 Sustainable Yield Assessment*, March 2026, <https://water.vic.gov.au/water-sources/groundwater/groundwater-management-2030/sustainable-yield-assessment>

⁹ Concerned Waterways Alliance, *Hyperscale Data Centres and Victoria's Water*, February 2026, <https://concernedwaterwaysalliance.org/hyperscale-data-centres-and-victorias-water-future/>

¹⁰ Sinclair Knight Merz (prepared for Corangamite Catchment Management Authority), *Moorabool River Water Resource Assessment: Final Report*, Corangamite CMA Knowledge Base, Resource Code NA0345, https://www.ccmaknowledgebase.vic.gov.au/kb_resource_details.php?resource_id=1850

climate and inflow scenario that no longer exists. The provision of base flows that provide connectivity and allow for transfer of organic matter down the food chain is a key element here, and their protection from re-extraction downstream.

- Farm dam licensing and compliance in southern Victoria remains inadequate. Despite SRW's internal separation of functions, Victoria has not moved to a fully independent water compliance regulator analogous to NSW's Natural Resources Access Regulator. Unlicensed dams continue to be constructed, including on designated watercourses, without prosecution of earthmoving contractors, a measure available to the regulator in NSW.
- Victoria still lacks a framework for managing the water interception impacts of plantation forestry, a gap that existed in 2004 and remains 22 years later, despite the expansion of commercial plantations in Gippsland and elsewhere. This is in contrast to South Australia where water licence requirements accompany plantation applications.
- The pricing process can lead to deferral of asset renewal and wastewater treatment plant upgrades, which contributes to long-term risk for both service reliability and waterway health.
- PFAS contamination of Victorian waterways and groundwater continues without enforceable national standards. The Commonwealth's response remains inadequate relative to international benchmarks, with serious consequences for drinking water quality, environmental health, and community trust.
- Community consultation in water policy remains a recurring concern. The CWA has documented instances where communities were excluded from consultation processes that directly affected their waterways including the development of the EPA's recycled water guidelines, some Integrated Water Management Forum processes, and aspects of the Yarra Strategic Plan implementation.

1.3 Factors influencing progress

The CWA identifies the following factors as limiting reform:

- The non-binding character of NWI commitments allows jurisdictions to defer, weaken or abandon commitments without consequence. This is particularly evident in relation to pricing reform, where state governments have been able to use ministerial powers to override independent regulatory outcomes, for example by capping prices.
- The dissolution of the National Water Commission in 2015 removed the only body with both the expertise and the mandate to hold governments to account on water reform. The Productivity Commission's periodic reviews, while valuable, are not an adequate substitute for ongoing, expert, and independent oversight.
- Inadequate funding for compliance, monitoring and enforcement means that even where laws and licences exist, the gap between entitlement and reality is poorly measured and poorly policed.
- Siloed departmental structures at both state and Commonwealth level mean that water policy decisions are made in isolation from planning, land use, environmental protection and industry development decisions, with predictable consequences for cumulative impacts on catchments.

2. Barriers and Emerging Risks

2.1 The Single Living Entity concept as a framework for success

A common thread runs through each of the barriers identified in this section: they are symptoms of a governance system that treats rivers as collections of separate problems (volumetric, chemical, regulatory, financial) rather than as whole, integrated living systems. The CWA submits that the Single Living Entity (SLE) concept provides the most coherent framework for understanding why fragmented approaches fail, and why integrated governance is the necessary remedy.

The SLE concept asks planners, regulators and water managers to recognise waterways as interconnected, coherent living wholes, spatially integrated across their full catchment extent, and conceptually integrated across ecological, landscape, cultural and recreational values. Its foundations lie in Traditional Owner philosophy and its most significant legislative expression in Victoria is the Yarra River Protection (Wilip-gin Birrarung murrn) Act 2017¹¹, which, at the urging of the Wurundjeri Woi-wurrung people, recognised the Yarra as 'one living and integrated natural entity'. This principle has since been extended to the Barwon River, Moorabool River, the Waterways of the West, and most recently the 17 urban waterway corridors now protected under Amendment VC278.

In September 2025, the CWA published the 'Single Living Entity Concept in Planning for Waterways' report (authored by Stephen Rowley of RCI Planning)¹², which documents the evolution of the concept in Victorian planning frameworks and identifies the persistent barriers to its full realisation: fragmented governance across multiple councils and agencies, compartmentalised planning frameworks, and Traditional Owner participation that remains more symbolic than substantive. It builds on our previous work 'What is a Waterway?'¹³ that describes the ecological and cultural underpinning of the SLE.

The barriers documented in sections 2.1 to 2.6 below from SDL methodology that ignores whole-of-catchment inflow decline, to plantation interception that is unaccounted for in catchment plans, to mine rehabilitation that is assessed in isolation from the river and lakes system downstream, all reflect the same underlying failure: the absence of a governing principle that requires waterways to be managed as single living systems connected from source to sea and integrated with their floodplains.

The NWA is a critical opportunity to adopt the SLE concept as a national governing principle not as a Victorian planning achievement, but as the foundation for how all jurisdictions approach water planning, environmental protection, and governance design.

Recommendation: *The NWA should formally adopt the Single Living Entity concept as a governing principle for water planning and management. Water resource plans,*

¹¹ Yarra River Protection (Wilip-gin Birrarung murrn) Act 2017 (Vic), Act No. 49/2017, <https://www.legislation.vic.gov.au/in-force/acts/yarra-river-protection-wilip-gin-birrarung-murrn-act-2017/005>

¹² Concerned Waterways Alliance / Stephen Rowley (RCI Planning), *Single Living Entity Concept in Planning for Waterways*, September 2025, <https://concernedwaterwaysalliance.org/single-living-entity-concept-in-planning-for-waterways-report/>

¹³ Concerned Waterways Alliance / Dr Bruce Lindsay, *What is a Waterway?*, March 2025, <https://concernedwaterwaysalliance.org/launch-what-is-a-waterway-by-dr-bruce-lindsay/>

sustainable diversion limits, environmental flow frameworks, and governance arrangements should reflect the requirement to manage each waterway, including its riparian zone, floodplain, tributaries, and connected groundwater as a whole, integrated living system. The Commonwealth should work with jurisdictions to develop national guidelines for applying the SLE concept in water planning processes.

2.2 Climate change and declining inflows

The Long-Term Water Resource Assessment for southern Victoria¹⁴ has established that inflows have already declined across the region by up to 20% in the last 20 years, and that the impact is falling disproportionately on the environment's share of the available water. In this context, the failure to update sustainable diversion limits, bulk entitlements and water sharing rules is an ongoing transfer of risk from consumptive users to the environment and to communities that depend on healthy waterways.

The CWA recommends that updating SDLs to account for climate-adjusted inflows be treated as an urgent reform priority, with a clear methodology, ecological criteria, and a binding timetable.

Recommendation: *Victoria should urgently revise sustainable diversion limits, bulk entitlements and water sharing rules to incorporate climate-adjusted inflows, with a transparent methodology, ecological criteria, and binding implementation timetables.*

2.3 Cumulative interception — farm dams

The Moorabool River catchment provides a sobering case study of the consequences of inadequate monitoring, compliance and regulatory design. CWA member group People for a Living Moorabool (PALM) identified 203 new or enlarged dams in this relatively small catchment built between 2012 and 2021, representing a growth rate of approximately 9% per decade of total impounded volume. More than a third were on DEECA designated watercourses, and just three out of the 203 appeared to have been licensed. As flow declines due to climate change the pressure on landholders to further impound water will increase, as will the impact of existing farm dams, accelerating the decline of already highly stressed waterways. In 2025 a paper co-sponsored between the CWA and PALM examined the current state of regulation of farm dams in Victoria¹⁵.

The soon to be released investigation into the impact of dams in the Moorabool and Maribyrnong catchments¹⁶, an action under the Central and Gippsland Region Sustainable

¹⁴ Victorian Government (DELWP), *Long-Term Water Resource Assessment for Southern Victoria* (2022) https://www.water.vic.gov.au/_data/assets/pdf_file/0019/664210/long-term-water-resource-assessment-for-southern-victoria.pdf

¹⁵ People for a Living Moorabool (PALM) and CWA, *Regulation of Private Dams* (Bryce Morden), November 2025, <https://concernedwaterwaysalliance.org/discussion-paper-regulation-of-private-dams/>

¹⁶ Southern Rural Water, *Moorabool Maribyrnong Water Resources Project (Water Risks in the Upper Moorabool and Upper Maribyrnong Catchment)*, Victorian Government (delivered by Alluvium Consulting and Hydrology and Risk Consulting in collaboration with Southern Rural Water), implementing Action 4-

Water Strategy, identifies around 2,500ML of increased dam storage created over the past 15 years. This figure mirrors the 2,500ML of environmental flow allocations which were delivered to the system over the same period. What was essentially given by one hand was taken by another.

The term 'significant interception' in the NWI has not been interpreted to capture the cumulative impact of hundreds of smaller dams in an already highly stressed catchment. This definitional gap must be closed. Victoria also needs to return to a requirement that all catchment dams be licensed not merely those over a threshold that excludes the majority of structures being built.

Recommendation: *The NWI framework should explicitly recognise cumulative small-dam interception as a 'significant interception activity' in flow-stressed catchments. Victoria should return to mandatory licensing of all catchment dams, with independent compliance and enforcement (including prosecution of contractors constructing unlicensed structures), and transparent public reporting of enforcement actions.*

2.4 Plantation forestry interception

The Victorian Government's Gippsland Plantations Investment Program, announced in 2022¹⁷, will plant more than 14,000 hectares of softwood plantations over five to ten years. This will add to the significant plantation investment already made in the west of the State. The water interception impacts of commercial plantation forestry are well understood. South Australia developed a statewide policy framework for managing these impacts in 2009, citing the NWI. Victoria has not done so, despite being a signatory to the NWI for over two decades.

This is a glaring gap in Victoria's NWI implementation. As plantations expand in already flow-stressed Gippsland catchments, including those supplying the Latrobe River and Gippsland Lakes system, the absence of a licensing or accounting framework means the cumulative impact on streamflow is entirely unmanaged.

Recommendation: *Victoria should develop and implement a framework for managing the water resource impacts of commercial plantation forestry, consistent with the NWI and with the approaches already adopted by other jurisdictions. Water accounting for plantation interception should be integrated into catchment water plans.*

2.5 PFAS contamination

PFAS contamination of Australian waterways, groundwater and food supply chains is a growing and poorly governed threat. The CWA made a detailed submission¹⁸ to the Senate Select

13 of the Central and Gippsland Region Sustainable Water Strategy,
<https://www.srw.com.au/initiatives/projects/moorabool-maribyrnong-water-resources-project>

¹⁷ Victorian Government, 'Planting Millions More Trees for Thousands of Jobs' (Ministerial Media Release, 29 September 2022), <https://www.premier.vic.gov.au/planting-millions-more-trees-thousands-jobs>

¹⁸ Concerned Waterways Alliance (CWA), *Submission to the Australian Senate Select Committee on PFAS*, 11 December 2024, <https://concernedwaterwaysalliance.org/cwa-submission-to-the-australian-senate-select-committee-on-pfas/>

Committee on PFAS in 2024, and notes that the Committee's Final Report (released November 2025)¹⁹ represents the most comprehensive national assessment of this issue to date.

Commonwealth safe levels remain set at orders of magnitude above recent international standards. All pathways default to Food Standards Australia New Zealand, which focuses on general population rather than site-specific exposure, leaving PFAS hotspots to expand unchecked. PFAS in legally discharged sewage treatment plant effluent and in biosolids applied to land represent diffuse exposure pathways with serious consequences for receiving waterways and hydraulically connected groundwater.

Victoria's Environment Protection Act 2017 does not directly name PFAS, and despite the General Environmental Duty applying in principle, enforcement is dependent on adequate standards and monitoring data that do not yet exist. Our receiving waterways have no effective legal protection against controlled releases of PFAS from approved wastewater discharges.

Recommendation: *The Commonwealth should, as a matter of urgency: align Australian PFAS standards with international best practice; establish legally enforceable exposure limits; prioritise hotspot remediation; mandate PFAS monitoring and public reporting; and provide funding for water corporations to remove emerging contaminants in the treatment cycle. The NWA should require state action plans to address PFAS contamination with binding timelines.*

2.6 Hyperscale data centres — an emerging structural demand

In February 2026 the CWA released a position paper, *Hyperscale Data Centres and Victoria's Water: Protecting a Public Resource for Communities and Rivers*²⁰, identifying the scale of water being sought by hyperscale data centres as a rapidly emerging challenge to water governance in Victoria.

Facilities operating at 100-300+ MW IT capacity with continuous, non-interruptible cooling loads represent a step-change in industrial demand. Even a small number of hyperscale facilities can rival environmental flow recovery commitments made under the Central and Gippsland Region Sustainable Water Strategy. Victoria's pricing frameworks were not designed for city-scale industrial users. Without binding water efficiency standards and mandatory disclosure, potable water which is comparatively cheap becomes the default cooling medium, potentially triggering augmentation with costs socialised across households.

The Victorian Minister for Water's correspondence of February 2026 acknowledged the issue and confirmed that an expert review is underway. The CWA welcomes this, but emphasises that voluntary expectations are insufficient. The NWI framework and national water pricing principles must explicitly address large industrial water users, including data centres.

¹⁹ Senate Select Committee on PFAS, *Final Report*, tabled 19 November 2025, https://aph.gov.au/Parliamentary_Business/Committees/Senate/PFAS_per_and_polyfluoroalkyl_substances_48P/PFAS48P

²⁰ Concerned Waterways Alliance, *Hyperscale Data Centres and Victoria's Water*, February 2026, <https://concernedwaterwaysalliance.org/hyperscale-data-centres-and-victorias-water-future/>

Recommendation: The National water pricing principles and water service governance frameworks should be updated to ensure that large industrial water users, including data centres, face mandatory non-potable water prioritisation requirements, enforceable water efficiency standards, mandatory facility-level water use disclosure, and cost-reflective pricing that does not socialise their demand costs to households. The NWA should direct jurisdictions to include such users in infrastructure planning and scenario modelling.

2.7 Mine rehabilitation — the Latrobe Valley

The rehabilitation of the Hazelwood, Yallourn and Loy Yang coal mines presents one of the most complex and consequential water governance challenges in Victoria. The CWA has made submissions²¹ to rehabilitation processes and to Southern Rural Water groundwater licence renewals for the mines.

The Latrobe River and Gippsland Lakes system constitute a single, connected ecological entity. Decisions made in the Latrobe Valley catchment, including about how and where water is taken for mine pit filling, and the ongoing depletion of the Latrobe aquifer caused by decades of coal and offshore oil and gas extraction, will shape the river and lakes system for generations. Decades of aquifer dewatering have resulted in land subsidence, coastal subsidence, and falling groundwater levels along the Gippsland coast.

The CWA has consistently argued for the 'big lake' rehabilitation model at Yallourn and the other mines to be reconsidered, given its likely long-term impacts on the already water-stressed Latrobe River system. We support the water trigger under the EPBC Act being engaged in these assessments. The NWI framework must ensure that mine rehabilitation water demands are assessed transparently against catchment water plans and environmental flow commitments.

3. Forward Reform Priorities (next three years)

Drawing on the above analysis, the CWA's three priority reform areas for Victoria over the next three-year NWI assessment period are:

- **Climate-adjusted sustainable diversion limits:** Victoria should revise SDLs, bulk entitlements and water sharing rules using updated methodologies that reflect measured inflow decline, ecological requirements, and climate scenarios. This is the foundational reform on which the credibility of all other water management commitments depends.
- **Independent compliance and full water accounting:** All water take including farm dam interception, plantation forestry, and small licensed users, should be measured, licensed and enforced by a body that is genuinely independent of the licensing function. Victoria should establish an equivalent of the NSW Natural Resources Access Regulator.
- **Governance frameworks for emerging industrial demand:** Water governance frameworks should evolve to address the step-change represented by hyperscale

²¹ <https://concernedwaterwaysalliance.org/submissions/>

industrial water users, with mandatory non-potable prioritisation, binding efficiency standards, disclosure, and cost-reflective pricing that does not externalise demand risk to households and rivers.

Part B – Secure, Resilient and Sustainable Water Services

Framing: Water as a Human Right and a Public Good

Before addressing the specific themes in Part B, the CWA wishes to draw attention to the framing of this section of the inquiry because framing shapes recommendations.

The Call for Submissions opens its description of Part B with the following sentence: 'The water services industry provides essential water, wastewater and stormwater services to households and businesses across urban, regional and remote areas.' It then immediately notes that 'these services are mainly (although not exclusively) delivered by government-owned utilities and local councils.'

Calling something an 'industry' implies a commercial enterprise operating in a market. Yet the delivery of water services is 'mainly', overwhelmingly, in fact, the function of publicly owned bodies accountable to elected governments. They should not be regarded as industry participants in any meaningful commercial sense. They are public utilities. The language of 'industry' imports commercial assumptions that are neither accurate nor appropriate as a foundation for governance reform.

This matters because the language of industry naturalises commercial objectives such as cost recovery, market efficiency, and competitive pricing as the primary lens through which water services are assessed. That lens, applied uncritically, produces policy settings that treat water as a commodity and water authorities as wholesalers optimising supply chains.

Water is a basic human right. The United Nations General Assembly recognised this formally in 2010²², affirming that safe and clean drinking water and sanitation are essential to the full enjoyment of life and all other human rights. Australia has endorsed this position. It follows that the principal purpose of a water authority/utility is not to operate as a commercial enterprise, but to deliver a fundamental public good equitably, reliably, and at a cost that does not exclude those who need it most.

The implications of accepting this framing instead are significant. It means that affordability is not merely a social equity add-on to an otherwise commercial pricing exercise; it is a core obligation. It means that environmental sustainability is not an externality to be priced in; it is a condition of legitimate operation. It means that governance accountability runs to the public, not to a created market. And it means that when the interests of a commercial operator (or a large commercial customer such as a hyperscale data centre) conflict with the interests of the household seeking safe, affordable water, the resolution of that conflict is not based purely on the economics involved.

²² United Nations General Assembly, Resolution A/RES/64/292: *The human right to water and sanitation*, 28 July 2010, https://digitallibrary.un.org/record/687002/files/A_RES_64_292-EN.pdf

The CWA asks the Productivity Commission to apply this lens consistently across Part B. The questions of pricing design, economic regulation, governance accountability, and regional equity look different when the starting point is 'delivering a human right' rather than 'managing an industry.'

Recommendation: *The NWA and the national water pricing principles should explicitly affirm that water is a basic human right and that the principal purpose of publicly owned water utilities is to deliver this right equitably and sustainably. Pricing frameworks, governance arrangements, and investment decision processes should be assessed against this standard, not against commercial industry benchmarks.*

Theme 1: Pricing and Economic Regulation

1.1 Protecting independent regulation

The CWA supports independent economic regulation of water services that protects the rights of Australian households to access clean, affordable and consistent water and ensures environmental sustainability. It should be isolated from political interference and act in the long-term public interest.

For example, deferring wastewater treatment plant upgrades, arguably facilitated through ESC pricing decisions in the last review cycle, has real environmental consequences. Treated wastewater discharge into receiving waterways at inadequate dilution ratios, including the VCAT decision allowing Coliban Water to discharge treated water into the Campaspe River at 2:1 treated-to-river ratio which was well over the EPA declared limits, sets dangerous precedents for flow-stressed systems²³. The NWI's commitment to cost-reflective, consumption-based pricing must be reinstated and protected.

Recommendation: *Independent economic regulation should be protected from ministerial override. Pricing frameworks should require that deferred asset expenditure, particularly for treatment plant upgrades, be costed for its environmental externalities, and that these costs are included in pricing determinations. The ESC should be empowered to include environmental discharge costs in its assessments.*

1.2 Environmental externalities and the cost of discharge

The current regulatory framework treats wastewater discharge into receiving environments as a cost-free activity for water corporations, with environmental consequences borne by the waterway and the community. The CWA has long argued that environmental externalities, including the cost of discharging treated wastewater into receiving streams, must be explicitly included in pricing frameworks.

Increasing discharge volumes from treatment plants into receiving streams with declining natural inflows creates conditions of progressive dilution failure, with contaminant concentrations rising over time. A framework of 'pollution credits' was referenced in the 2004 NWI. Developing this into an operational tool that creates financial incentives for water

²³ VCAT Order No. P1544/2023

corporations to bring forward treatment upgrades, rather than defer them, would represent meaningful progress.

Recommendation: *National water pricing principles should be updated to require that the environmental costs of treated wastewater discharge to waterways are reflected in pricing frameworks, and to create incentive structures that encourage water corporations to bring forward treatment upgrades.*

1.3 Affordability and inclining block tariffs

It has become clear, and recognised by the Victorian government, that a move to climate independent sources of water to supply household and industrial demand is imperative, not only securing future water supplies but also providing opportunities for easing pressure on rivers carrying the burden of over-extraction. These climate independent sources, whether they are from desalination, recycled water or stormwater, often come at a significant cost. How those costs will be apportioned is of course a live and challenging question.

There should be a clear separation between the tariffs for households and those for businesses with higher tariffs for industrial users than residential customers. Cross subsidies should be avoided. Water utilities should allow households a degree of autonomy over their water consumption and subsequent bills. This can be done through prioritising volumetric pricing over fixed charges for domestic consumers and imposing progressive inclining block tariffs to encourage water conservation and relieve cost of living pressure.

The CWA recognises that inclining block tariffs can create inequitable outcomes for high-occupancy households, particularly renters. Large families, multigenerational households, or shared housing may find their basic water needs pushing them into higher tariff blocks through no fault of their own.

A mechanism through which bills for high-person households can be adjusted perhaps linked to household size should be explored. The transition to climate-independent water sources such as desalination and recycled water will raise the underlying cost of supply; equitable pricing design must keep pace with this transition. Hardship provisions for low-income earners are also necessary.

Without the separation of household and industrial/business tariffs, governments, authorities and regulators have a tendency to focus on keeping prices low while future costs - be they for supply augmentation, wastewater treatment or environmental restoration and the return of water to stressed rivers - are continually postponed. For example, 4 years after its release, none of the 5-year environmental water recovery targets in the Central and Gippsland Sustainable Water Strategy are likely to be met because the investment to meet them has not been made. Indeed, the Victorian government seems to have given up on even reporting on progress towards meeting these targets, with the last progress report dated 2023.²⁴

²⁴ [Central and Gippsland Region Sustainable Water Strategy 2022](#)

Theme 2: Governance, Accountability and Coordination

2.1 Reinstating a National Water Commission

The CWA believes that the dissolution of the National Water Commission in 2015 was a significant governance failure with consequences that are still being felt. The Productivity Commission's periodic reviews, while certainly valuable, are not a full substitute for a standing body with dedicated expertise and research, an ongoing monitoring function, and the mandate to hold governments to account between reviews.

The pattern is clear: after the NWC was dissolved, momentum on agreed NWI commitments fell away and governments allowed commitments to be quietly deferred or abandoned. The complexity and urgency of contemporary water governance challenges including climate change, First Nations water rights, industrial demand shifts, groundwater connectivity, contamination and interception, require sustained national expert attention.

Recommendation: *A national water governance body, with the functions and independence of the former National Water Commission, should be re-established. Its role should include ongoing monitoring of NWI implementation, technical guidance, coordination between jurisdictions, and public reporting that holds governments accountable between formal PC reviews.*

2.2 Community participation as a governance requirement

The CWA has experienced firsthand what happens when community voices are excluded from water governance processes. The formation of the CWA itself arose directly from the Victorian Government's failure to properly include informed community and environment groups alongside Traditional Owner consultation in the development of the Central and Gippsland Region Sustainable Water Strategy.

Since then, the CWA has documented multiple further instances where community was consulted after key decisions had been made or was effectively excluded from formal processes. These include: the development of EPA Victoria's recycled water use in surface waters guidelines (no community input); aspects of the *Integrated Water Management Forum* processes (no clear community pathway); and the implementation of the *Yarra Strategic Plan* (community participation principle in the Act not honoured).

Community trust in water governance is a precondition for durable reform. Groups like the CWA represent deep, catchment-specific knowledge accumulated over decades. This knowledge must be formally embedded in governance structures, not merely consulted.

Recommendation: *The NWA and its implementation mechanisms should formally require informed community groups to be included, not merely consulted after the fact, in the development of water plans, pricing processes, and regulatory frameworks. Community consultation should be concurrent with, not subsequent to, Traditional Owner engagement. Guidelines should specify what constitutes genuine community participation.*

2.3 Water licensing and compliance independence

Victoria has historically combined licensing and compliance functions within the same organisations (e.g. Southern Rural Water). The NSW model, where the Natural Resources Access Regulator operates as an independent body, openly publishes enforcement actions, and can prosecute both landholders and the contractors who build unlicensed structures, is demonstrably superior.

The NWI should direct jurisdictions that have not yet separated water licensing from compliance to do so, and establish independently funded, publicly reporting compliance bodies.

Recommendation: *Jurisdictions must separate water licensing from compliance functions, and ensure compliance bodies are independently funded, transparent in their enforcement actions, and empowered to prosecute contractors as well as licence holders.*

2.4 The Single Living Entity concept in national water governance

The Single Living Entity concept, pioneered in Victoria through legislative and planning reforms beginning with the Yarra River Protection Act 2017 and extended progressively to the Barwon, Moorabool and Waterways of the West, and most recently the 17 waterway corridors protected under Amendment VC278²⁵, represents Australia's most advanced effort to govern waterways as coherent, integrated systems. Yet it remains confined to planning frameworks and has not yet been adopted as a principle within water resource management, pricing, or national water governance.

This is the gap the NWA must close. The SLE concept is not merely a planning policy aspiration but rather it has direct and practical implications for how national water reform should be structured:

- Sustainable diversion limits and water sharing rules should be required to reflect the full catchment extent of a waterway; headwaters, tributaries, floodplain and connected groundwater, not just the reach where immediate extraction occurs.
- Environmental flow frameworks should specify outcomes for the whole river system from source to sea, including end-of-system and estuary flows, rather than reach-by-reach volumes.
- Infrastructure investment assessments should be required to evaluate the cumulative impacts on the full living system not just the site of extraction or discharge.
- Governance arrangements including catchment management authority boundaries, waterway management responsibilities, and environmental water holder functions,

²⁵ Department of Transport and Planning (2025) [Planning for our waterways](#)

should be structured to match the physical extent of the living entity, rather than administrative convenience.

The CWA also draws attention to the governance gap identified in our SLE report²⁶: that while the concept is now embedded in some Victorian planning provisions, its implementation remains uneven, often more aspirational than binding. At the national level, it has no formal expression at all. The NWA should establish this principle and direct jurisdictions to embed it in their water planning and governance frameworks within a defined period.

There is also a direct connection to First Nations rights. The SLE concept for the most part originated in Traditional Owner philosophy and the recognition of the cultural, spiritual and ecological relationship between First Nations peoples and waterways. Adopting the concept in national water governance is not only a sound environmental principle, it is an act of alignment with the worldview of the peoples whose deep knowledge of Country provides the most durable basis for water stewardship.

Recommendation: *The NWA should formally adopt the Single Living Entity concept as a governing principle and direct jurisdictions to reflect it in water resource plans, sustainable diversion limits, environmental flow frameworks, and governance arrangements. Jurisdictions should be required to report on how their water planning frameworks achieve spatially and conceptually integrated management of each waterway system, with connectivity from headwaters to sea, within the next three-year assessment period.*

Theme 3: Regional, Remote and Equity Considerations

3.1 First Nations water rights

The CWA unreservedly supports a fundamental shift in how Australia approaches First Nations water rights. Colonial water law placed ownership of all water with the Crown, commodifying water and displacing Traditional Owners from their cultural, spiritual, social, environmental and economic relationships with water. The consequence that less than one percent of water ownership or rights are now held by Traditional Owner interests is both an injustice and a governance failure.

A new NWA must advance the reform pathways developed through the National Cultural Flows Research Project²⁷, including meaningful water rights, influence in water landscapes, and transformed foundations. Critically, cultural water must be additional to environmental water, not substituted for it. First Nations must be empowered to own and manage water in line with their rights and cultural responsibilities for Country, including for economic purposes.

²⁶ Concerned Waterways Alliance / Stephen Rowley (RCI Planning), *Single Living Entity Concept in Planning for Waterways*, September 2025, <https://concernedwaterwaysalliance.org/single-living-entity-concept-in-planning-for-waterways-report/>

²⁷ Murray Lower Darling Rivers Indigenous Nations (MLDRIN) and Northern Basin Aboriginal Nations (NBAN), *National Cultural Flows Research Project*, 2018, <https://culturalflows.com.au>

We note the important evidence given to the Yoorrook Justice Commission²⁸ confirming that Victorian water law has historically placed First Nations peoples at the lowest order of water priority, and that this is a failure the NWA must address structurally.

Recommendation: *The NWA should include binding commitments to substantially increase First Nations water ownership and decision-making authority, with cultural water recognised as additional to environmental water. Jurisdictions should develop formal partnership arrangements with First Nations peoples for joint decision-making on water planning, and must report publicly on progress.*

3.2 Safe drinking water in regional and remote communities

The PC's 2024 finding that some regional and remote areas still do not have access to safe drinking water supply is a profound indictment of water service governance in Australia. Exceedances in the chemical health standards of the Australian Drinking Water Guidelines, and loss of community confidence in water supply due to aesthetic issues, are not acceptable outcomes.

The lack of consistency and transparency in drinking water quality reporting for regional and remote areas compounds this failure. The CWA supports the PC's recommendation that centralised reporting on drinking water quality indicators including microbiological and chemical compliance rates and boil water alerts be implemented.

3.3 Structural challenges for regional utilities

The CWA acknowledges the structural challenges faced by regional and remote water utilities: higher per-customer costs, smaller asset bases, greater climate variability exposure, and workforce constraints. Community service obligation frameworks should be transparently designed and adequately funded, rather than used to mask cross-subsidisation arrangements that undermine financial and environmental sustainability.

Theme 4: National Consistency and Intergovernmental Coordination

4.1 Water accounting and metering

The PC's 2024 finding that most states and territories are not on track to meet their commitments for AS4747 compliant metering is alarming. Without reliable measurement of actual water take, sustainable diversion limits become aspirational rather than enforceable. The CWA has observed directly, in southern Victoria, that over half of all surface water licences on issue are not metered. In catchments like the Maribyrnong, where hundreds of licences under 10 ML exist that are not obliged to be metered, the true level of take cannot be estimated.

National consistency on metering is foundational. The private benefits to individual users of upgrading to AS4747 meters are low; this is a collective action problem that requires regulatory mandates, not just incentives.

Recommendation: *The NWA should set binding timetables for AS4747 compliant metering across all jurisdictions, with Commonwealth funding support where*

²⁸ Yoorrook Justice Commission, *Yoorrook for Transformation*, tabled 1 July 2025, <https://yoorrook.org.au>

necessary, and require that all water take including stock and domestic use and small-licence holders in stressed catchments is measured and publicly reported.

4.2 Groundwater-surface water connectivity

The CWA's 2024 NWA submission drew attention to the Nevada Supreme Court's January 2024 recognition that groundwater and surface water must be understood as a unified system. This reflects a principle the 2004 NWI recognised but which continues to be honoured in the breach across Australian jurisdictions.

The Latrobe Valley provides a documented case study of what happens when this connectivity is ignored over a long period: decades of aquifer dewatering for coal extraction and Bass Strait oil and gas operations have depleted the Latrobe Group aquifer, caused land and coastal subsidence, and lowered surface water levels through hydraulic connectivity. There has been no effective Commonwealth accountability for the impacts of Commonwealth-licensed activities off-shore on state groundwater resources.

Emerging threats, including carbon capture and storage, must be addressed within an integrated groundwater-surface water management framework before they replicate past failures. The GM2030 Sustainable Yield Assessment in Victoria provides a baseline for sustainable groundwater management; the CWA urges that binding protections follow.

This principle of interconnection relates directly to the Single Living Entity concept: if a waterway is to be managed as one integrated living system from source to sea, then the hydraulic connectivity between surface water and groundwater cannot continue to be ignored in resource plans or infrastructure approvals. The SLE framework provides both the rationale and the governance logic for treating groundwater and surface water as indivisible.

Recommendation: *The NWA should reinforce and strengthen the principle that groundwater and surface water are managed as a single connected resource. Jurisdictions should ensure their water plans and sustainable diversion limits reflect surface-groundwater connectivity. The Commonwealth should establish accountability mechanisms for the groundwater impacts of Commonwealth-licensed activities (including offshore extraction).*

4.3 Prioritising climate-independent water sources

The CWA has consistently advocated for the prioritisation of 'climate-independent' or 'manufactured' water sources such as desalination, recycled water, and stormwater harvesting as the pathway to reducing extraction pressure on over-allocated and flow-stressed rivers. This position is shared by progressive water authorities such as Barwon Water, and is embedded in the Central and Gippsland Region Sustainable Water Strategy and the Water Security Plan for Melbourne, Geelong and connected towns²⁹, which envisage 80% of Greater Melbourne's water supply coming from manufactured sources by 2070.

²⁹ Victorian Government (DEECA), *Water Security Plan for Melbourne, Geelong and connected towns*, 2025, <https://water.vic.gov.au/our-programs/water-monitoring-and-reporting/water-security-plan>

As these sources come online, it is essential that extraction from surface water is actually reduced, rather than the saved water being reallocated to new consumptive uses to serve population growth or new industrial demands. Investment in climate-independent water must be accompanied by explicit commitments to return freed-up river water to the environment.

The CWA notes with concern the tendency for water infrastructure investment to bypass rigorous cost-benefit analysis, as identified by the PC in its 2024 Finding 6.2. The Macalister Irrigation District Phase 2 modernisation which directed 100% of efficiency savings back to irrigators rather than to the environment illustrates how the NWI's infrastructure investment principles are being circumvented through Commonwealth grant conditions.

4.4 Management of Ramsar sites

The CWA notes with alarm that the condition of Ramsar sites is declining across Australia, with several on the brink of being added to the 'in danger' list. Climate change is a threat to all Ramsar sites, while 'coastal squeeze' is impacting Victorian coastal sites such as the Gippsland Lakes and Westernport Bay. Habitat retreat assessment should be included in all Ramsar management plans and integrated into coastal planning decisions.

Conclusion

The Concerned Waterways Alliance has engaged deeply with water reform processes across southern Victoria for many years. Our message in this submission is consistent with our previous statements, because the fundamental problems have not yet been resolved.

Southern Victoria's rivers are over-allocated, flow-stressed, and facing accelerating inflow decline driven by climate change. The regulatory frameworks designed to return them to environmental sustainability are being undermined by weak compliance, deferred reform, lack of necessary investment, a growing population, and the emergence of new industrial demands without commensurate governance.

Water reform is urgent. It requires binding commitments, independent oversight, properly resourced compliance, genuine community participation, and a national body capable of sustaining momentum between five-yearly reviews. The 2026 NWA and this inquiry provide a critical opportunity to re-establish that framework.

The CWA trusts that the Productivity Commission will draw on the evidence in this and other submissions to make the strong recommendations that are needed and that governments will act on them.

We would welcome the opportunity to present this submission to you in person.

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Member Organisations

The Concerned Waterways Alliance submission has been prepared from material informed from input from member organisations including:

- Friends of the Barwon
- People for a Living Moorabool (PALM)
- Werribee River Association
- Maribyrnong River and Waterways Association
- Friends of Steele Creek
- Environment Victoria
- Environmental Justice Australia
- Kooyongkoot Alliance
- Yarra Riverkeeper Association
- Friends of Latrobe Water
- Gippsland Environment Group
- The Waterways Network
- Friends of Gippsland Lakes