2 June 2025

Ms Angela Moody
Chair
Queensland Productivity Commission
Submitted online

Dear Ms Moody

OPPORTUNITIES TO IMPROVE PRODUCTIVITY OF THE CONSTRUCTION SECTOR

We welcome the opportunity to provide initial stakeholder input to the inaugural Queensland Productivity Commission inquiry on opportunities to improve productivity of the construction sector.

The Water Services Association of Australia (WSAA) is the peak body representing the water sector. Our members provide water and wastewater services to over 24 million customers in Australia and New Zealand and many of Australia's largest industrial and commercial enterprises. In Queensland, WSAA represents 23 water utilities, including Seqwater, Sunwater, Gladstone Area Water Board, the five South East Queensland retail water utilities, and a further 15 local council water utilities across the state.

We are making this submission in support of Seqwater's submission and to share national trends that we consider relevant to the Commission's deliberations.

We want to emphasis two points:

1. Investment is increasing significantly across the water sector

This represents a step change in South East Queensland and more broadly across Australia, rather than a once off peak.

2. Water utilities need authority combined with accountability to improve efficiency

Enhancing powers for Government-owned essential service providers, such as Seqwater, would streamline procurement timelines, reduce private-sector bidding costs, and allow faster responses to Government priorities.

WSAA welcomes the opportunity to discuss this submission further, please contact Stuart Wilson, Deputy Executive Director on [redacted] or [redacted]

Yours sincerely

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1. Investment is increasing significantly across the water sector

South East Queensland water utilities are planning increased investment. The drivers of capital expenditure in South East Queensland are typical of national trends. Across Australia all water utilities are facing the challenges of ageing assets, population growth, climate change, and increasing regulatory expectations (Figure 1).

Figure 1: Drivers of water utility investment

1.1 Current and future investment in Australia

Nationally, water bills across Australia have been flat for the last 10 years (Figure 2 below). This has conditioned the expectations of customers, governments and regulators. It has created the perception that water is a sector in a steady with long term stable prices.

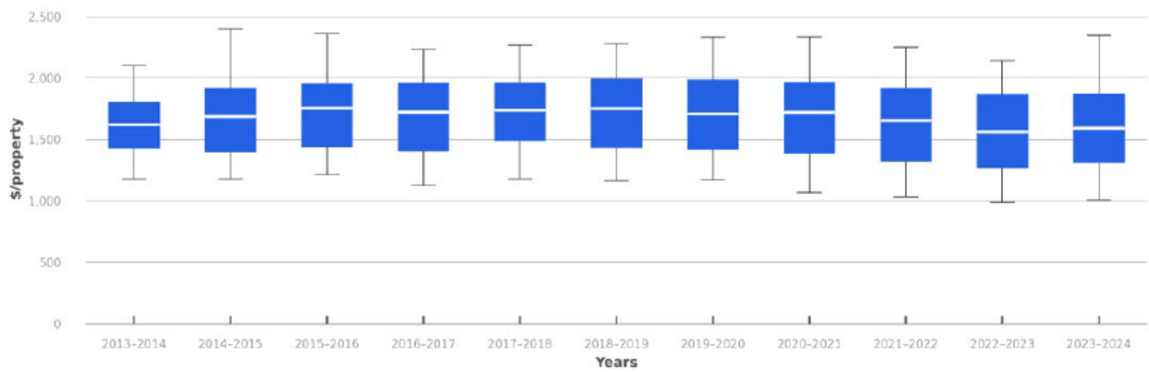

Figure 2: Typical residential water supply and wastewater ($), 2012-13 to 2022-23

However, this has never been the full story. In response to the millennium drought from 2006 to 2009 utilities invested around $30 billion in water security (desalination, recycling and pipelines) which was completed by 2013-14. Since then, the water sector has been investing in a prudent and efficient way for current and future generations.

The observed outcomes of flat to declining water prices reflect two offsetting factors; higher

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investment in services offset by a falling cost of capital (Figure 3 and 4).

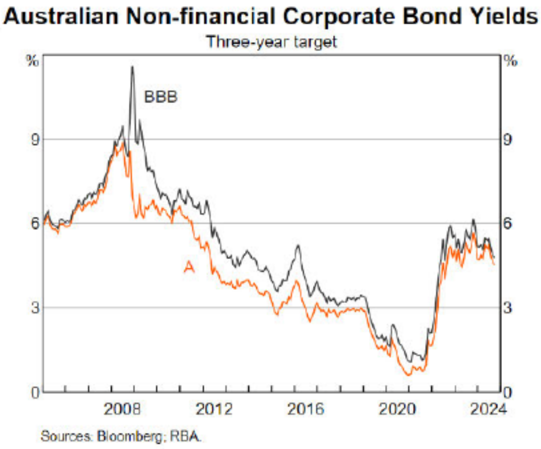

Figure 3: Water sector capital expenditure 2011-12 to 2022-23 **Figure 4: Australian non-financial corporate bond yields**

Between 2014-15 and 2022-23, 20 of the largest utilities surveyed by WSAA doubled their capital expenditure from just over $3 billion a year to $6 billion.[1] All the while, prices were able to remain flat owing to a falling weighted average cost of capital (WACC). In other words, lower interest rates reduced utilities payment on debt allowing utilities maintain stable or falling real prices.

However, what we are seeing nationally now is a projected doubling of capital expenditure to nearly $12 billion a year by 2026-27. Expenditure is relatively evenly spread across water and wastewater. Growth is the single largest element. However, renewing ageing assets and complying with environmental and water quality regulations are also significant. We are beginning to see the next phase of water security expenditure, but this is not fully reflected in the numbers. We are also expecting significant dam safety expenditure to be necessary after 2026-27.

Therefore, WSAA considers the sector is undergoing a step change in the investment required that will continue beyond 2026-27.

As previously stated by WSAA, higher capital expenditure, higher operating costs and a rising cost of capital can only result in a significant real price increase for customers.

[1] Capital expenditure data in this submission is based on a WSAA survey of the 20 or so largest utilities in Australia. This is used as it contains the forward projection to 2026-27 on a consistent basis. However, the same historical trends are observable in the publicly available Urban Water National Performance Review (NPR) data. In the NPR, total capital expenditure increased from $4.3 billion to $7.2 billion.

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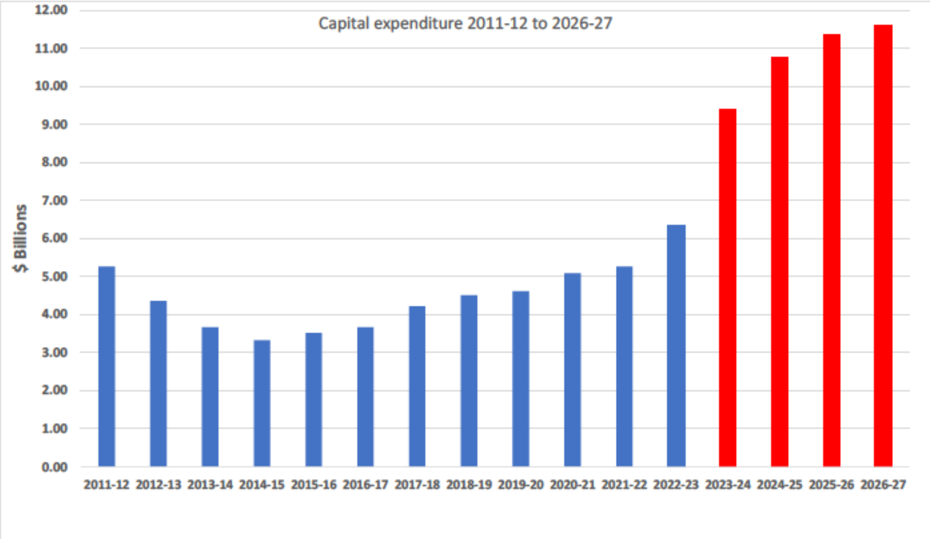

Figure 5: Water sector capital expenditure to 2026-27

The trends in South East Queensland are reflective of the national trends. This is a critical decade for the water sector, and there are considerable risks if we don't get investment right.

2. Water utilities need authority combined with accountability to improve efficiency

To support the critical water and wastewater infrastructure investment needed in South East Queensland, it is important that water utilities have appropriate powers to construct, operate and maintain water and wastewater efficiently.

In general, government owned water utilities in other states and territories have more powers than Queensland state owned water utilities. In New South Wales and Western Australia, state-owned water utilities have powers under planning and environment legislation to enable efficient construction, operation and maintenance of infrastructure. This includes:

- Exemptions and powers under planning legislation, including as a 'consent authority' or 'determining authority' for planning, development and construction approvals for most works and environmental impact assessments (with exceptions for state significant infrastructure)
- Powers to construct in roads without consent
- Powers to access third-party land for investigation and works, with notice to the occupier
- Compulsory acquisition powers
- Vegetation management on public lands, including roads (and in the case of NSW, on any third party lands as part of authorised works).

In these examples, there are clear processes and accountability under the authorising legislation to ensure that the water utilities powers achieve good outcomes for customers and communities.

In WSAA's view, the absence of similar powers for Queensland owned water utilities, limits the productivity and efficiency of Seqwater and other water utilities.

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