

**Submission
No 10**

**JOINT SELECT COMMITTEE ON PROTECTING LOCAL WATER UTILITIES
FROM PRIVATISATION**

Organisation: Bogan Shire Council

Date Received: 27 October 2023

**Submission to the NSW Parliament Joint Select Committee
Protecting Local Water Utilities from Privatisation**

Bogan Shire Council, Nyngan NSW

Introduction

Local water utilities in NSW operate under a number of different ownership and governance models. Across most of regional NSW, the local Shire or City Council acts as a local water utility. Bogan Shire Council owns and operates water supply infrastructure servicing the town of Nyngan and delivers water to the Cobar Water Board which the Board then delivers to the town and mining operations of Cobar NSW. It also operates the town sewerage system. As such, the Council makes this submission with specific relevance to those local water utilities which are also local Councils. The points made by Council in this submission may not be relevant to local water utilities which have a different ownership and governance model.

Benefits of the existing model

Ownership and control of water supply has many benefits for the Bogan Shire community. These include:

- Financial – a portion of the revenues from water and sewerage services contribute to meeting the overhead costs of the Council (currently in the vicinity of \$800,000 per annum). Local ownership enables the Council to adjust the pricing of its services (within IPART guidelines) in a way that responds to the specific economic circumstances of the local community.
- Employment - ownership and operation of the town's water and sewerage services enables the Council to employ and train locals who in turn develop specialist skills and knowledge regarding the local utility and who are likely to remain in long-term employment within the town.
- Environmental - in common with many other regional communities, Bogan Shire Council has a river-based water system which allows Council to best manage competing technical, financial, environmental and recreational issues affecting the Bogan River, including the protection of threatened fish species.

Negative impacts and risks of privatisation

In relation to the above benefits, Bogan Shire Council submits that the following negative impacts and risks are likely to flow from privatisation of its water and sewer services:

- Financial – while removing water and sewer operations from Council ownership would create a marginal reduction on Council's operating overheads (through reduce staffing and a lower asset base), the net impact on Council finances would be negative thus requiring Council to increase its rates or cut other services. Transferring control of pricing away from the elected representatives of the community would remove the ability of the community to have a say in the setting of utility charges that affect them.

Employment - Experience in other jurisdictions has shown that the inevitable medium-term effect of privatisation has been the aggregation of operating control into large national utility companies for whom the retention and training of employees in small towns has no commercial logic, thus contributing to the “hollowing out” of regional NSW, especially in the west of the State.

Environmental – transferring control of water services to regional or Statewide entities will inevitably reduce attention on local environmental and recreational values; while the maintenance of environmental river flows would remain regulated under relevant legislation, it is inevitable that these would be addressed at only the minimum mandated level in contrast to the more holistic approach of a local Council responsive to the wishes of the community.

Protecting Local Water Utilities from Privatisation

The Joint Select Committee’s terms of reference specifically seek advice as to how local water utilities can best be protected against “privatisation, forced amalgamations and sell-offs”. In the case of local Councils that double as local water utilities, there are particular issues arising from the democratic mandate of an elected Council that could fall prey to a pro-privatisation faction. Given the normally very low level of voter turnout in local Council elections, this could mean as few as several dozen voters with vested interests taking control of the Council’s critical assets.

However, Bogan Shire Council acknowledges that there may be a legitimate case for some communities to prefer to divest their water and sewer assets, especially where the Council lacks the resources to adequately manage these assets. It therefore submits that outright prohibition may not be in the best interests of all regional communities.

A related matter is to define forms of “privatisation” that may be to the long-term benefit of the community. By way of example, there may be a case for the vesting of the assets in a community trust or a consumer-owned cooperative where community or customer ownership is arguably strengthened by divestment from Council ownership. It would be unfortunate if such models were to be caught up in measures intended to prevent ownership control by privately owned corporate investors.

One mechanism available to Government would be to include provisions under the *Local Government Act* setting out specific threshold requirements for any Council contemplating the sale, lease or other means of alienation of water and sewer assets. This would be similar in intent to the approach taken by the New Zealand Government many years ago whereby any such decision could only be taken following a mandated special consultation process and requiring a high level of community support. By way of example only, it could be mandated that such a Council decision would first require a lengthy community consultation process followed by a plebiscite of ratepayers with (say) a turnout of at least 25% and a 75% approval response. In this way, the Council would not be prevented from acting on a democratic mandate provided there was genuine and demonstrated community support.

Other matters

Bogan Shire Council makes no submission in relation to items (b) and (c) of the Terms of Reference.