

**Submission  
No 23**

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

**Organisation:** Riverina Water County Council

**Date Received:** 3 November 2023

2 November 2023

Joint Select Committee  
Parliament of New South Wales  
Macquarie Street  
SYDNEY NSW 2000

### **Parliamentary Inquiry into Protecting Local Water Utilities from Privatisation**

Riverina Water County Council (Riverina Water) appreciates the opportunity to make a submission to the Inquiry into Protecting Local Water Utilities from Privatisation.

#### **Opening**

Riverina Water is a NSW Local Government regulated water utility, supplying quality drinking water to the Eastern Riverina region of NSW. Our supply area covers approximately 15,400 square kilometres, servicing four LGAs and a population of over 77,000 people.

Riverina Water has a long history of providing and maintaining the infrastructure necessary for reliable water supply. Although formed under its current name in 1997 the organisation has operated prior to this as a part of the Southern Riverina County Council since its inception in 1938. Our water supply facilities are now established with the Murrumbidgee River at Wagga Wagga as the principal water source, supported by three major bore fields also in Wagga Wagga drawing high quality groundwater and feature a network of treatment, pumping, storage and pipework installations across the region, supplying water to over 33,800 connections. In 2021 a new state-of-the-art water treatment plant was opened in Wagga allowing an increased output of up to 55 megalitres per day, further increasing security of regional drinking water into the future.

Riverina Water continues to provide exceptional value to residents in terms of service and value-for-money, with strategic priorities that focus on a customer-centric approach, as well as innovation and sustainability. Riverina Water has an annual turnover of around \$32m with a ten-year capital delivery program budgeted to be \$190m.

#### **County Councils**

There are currently only four water supply county councils operating in NSW. County councils are established under Chapter 12, Part 5 of the Local Government Act 1993 (LG

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Act). Relevantly, section 394 of the LG Act provides that the functions of a county council are set out in the proclamation establishing the county council, and that:

*A council (General Purpose Council) may not undertake a function conferred on a county council whose area of operations includes the whole or any part of the council's area, subject to the regulations or a proclamation made for the purposes of this Part.'*

Riverina Water was established by proclamation on and from 2 May 1997. Clause 4 of Schedule A of the proclamation provides that the functions of Riverina Water are 'the functions of a council for the provision, care, control and management of water supply works, services and facilities within its area of operations'.

### **Privatisation of Local Water Utilities**

Riverina Water is a strong advocate for local government ownership and control of Local Water Utilities (LWUs). Riverina Water commends the NSW Government for initiating the **Parliamentary Inquiry into Protecting Local Water Utilities from Privatisation** as a positive step towards providing essential legislative protection.

Legislation to protect Sydney Water and Hunter Water from privatisation was a state election commitment of the NSW Government. The passage of the Constitutional Amendment (Sydney Water and Hunter Water) Bill 2023 delivered the commitment, ensuring the continued public ownership of these two corporations and their primary undertakings into the future.

While this legislative development was welcomed, Riverina Water is aware that Local Government NSW (LGNSW) at that time pressed the NSW Government to extend the same protections to LWUs. The Minister for Water, the Hon Rose Jackson MLC, advised that this had not been an election commitment of the NSW Government therefore it had no mandate to amend the Sydney Water and Hunter Water Bill to include the protection of LWUs, however, the Minister undertook to look at the issue in future. Riverina Water considers this Inquiry to be a step towards protection of LWUs.

The NSW Government rejected subsequent amendments proposed in a private members Bill to include LWUs alongside Sydney and Hunter Water as assets that cannot be privatised.

The Shadow Minister for Water Steph Cooke MP introduced the Constitution Amendment (Water NSW and Local Water Utilities) Bill 2023, aiming to secure LWUs' protection against privatisation. Riverina Water supports this Bill in principle, while expressing concerns about potential unintended consequences, especially regarding engagement with private contractors and service providers.

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Riverina Water asserts that the scope of the Inquiry should encompass not only protection from privatisation but also the broader threats of forced amalgamation, corporatisation into state entities, or the potential absorption of certain LWUs into Sydney or Hunter Water.

Riverina Water contends that all the arguments and justification for implementing the protection for Sydney Water and Hunter Water equally support the call to protect all LWUs from privatisation.

In support of this statement this submission quotes Premier Chris Minn's from Hansard on the 10 May 2023 as follows:

*"we have seen the effects of 12 years of privatisation - the selling off of our electricity assets, our ports and our toll roads. Essential assets were often sold at low prices with the public paying an ever increasing amount simply to use the same core services that they used to own. We saw dividends no longer being reinvested back into the NSW budget going straight to private operators, then government after government having to look at compensation schemes because people could not afford to use the services anymore. We promised to put an end to that and I am proud that this is indeed our first bit of legislation"*

History provides relevant examples of where the privatisation of essential services has had a negative impact on communities across the nation, for example when electricity and gas were removed from local government hands in the 1990's. Put simply, the ongoing public ownership of LWU's ensures that the communities needs and interests are at the forefront of decision making and long term investment in infrastructure, rather than the creation of profits associated with privatisation.

LWU's with a low economy of scale are generally operating an essential service with limited options of recovering adequate funds or maintaining adequate resources, noting their remote and rural localities. It is essential that these services be adequately funded as a Community Service Obligation (CSO) under, or similarly to how the existing Australian Government's Financial Assistance Grants (FAG's) are implemented.

In terms of capital delivery programs, LWUs are regulated to demonstrate effective sustainable long-term financial and asset management by regulators (OLG, DPE), and the impacts of inflationary pressures and skills shortages.

Maintaining public ownership improves community trust, provides caps to service cost obligations and reduces the risk of entering situations of Operators of Last Resort, as detailed under the Water Industry Competition Act requirements. The strategic and regulatory

framework required to manage critical infrastructure, ensures public health, environmental outcomes, and levels of service for communities.

### **Governance**

NSW LWUs have proven to be effective entities capable of delivering water services safely, securely, and efficiently. Moreover, they have demonstrated their ability to identify challenges and implement necessary reforms, ensuring an integrated and locally appropriate approach to water supply and sewerage management. This approach optimises outcomes for the entire community.

LWU's in NSW have safeguards in place to ensure adequate strategic planning, public health and environmental outcomes. These outcomes are regulated and reported on through the annual performance reporting indicators through 600 plus indicators and presented publicly. Riverina Water is one of 86 water utilities within Australia that reports on 166 indicators through the National Performance Reporting Framework. Through the recent review of the NPR Indicators, GWCC believes it crucial for all LWU's to report through the Framework and not be limited to utilities with greater than 10,000 connections.

### **Relationship between LWUs and NSW Government**

The provision of water supply and sewerage services in regional NSW has been a collaborative effort between local government owned LWUs and the NSW Government, demonstrated through successful programs like the Country Towns Water Supply and Sewerage Program and the Town Water Risk Reduction Program.

Strong working relationships have been established through the advocacy efforts of LGNSW and the NSW Water Directorate with DPE Water, WaterNSW, and Ministerial offices over the years. Any policies that may lead to the privatisation, corporatisation, or forced amalgamation of LWUs could jeopardise these collaborative relationships including between LWUs and NSW Government agencies.

Under section 61 of the Local Government Act, The Department of Planning and Environment (DPE) Water conducts regular inspections of LWU treatment works and provides feedback and mentoring to the LWU operators. As such there are strong regulatory and assurance frameworks and policy measures in place to ensure that all LWUs performance are monitored and benchmarked against the rest of other LWUs in NSW. This works effectively and in the public interest. The inherent threat of privatisation would place that effective working relationship at risk and reduce public trust and confidence with regards to transparency.

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### **Financial and Economic Impacts**

Water supply and sewerage services are integral to regional councils in NSW, constituting a significant portion of their annual budgets and providing a critical mass required for the councils' financial viability. In many cases, especially within smaller rural councils, these services represent a substantial portion of engineers' and senior officers' responsibilities. Employees often hold multifaceted roles, contributing to the efficient flexibility of the workforce. Privatisation could disrupt these synergies, resulting in the centralisation of activities, loss of staff resulting from the loss of critical mass within and financial challenges. Further, privatisation could negatively impact attracting new staff, retaining existing and valued staff and increase pressure on remuneration within the sector. The consequences would be most acute in small communities, particularly in rural areas where councils serve are often the largest employer. Any form of privatisation could lead to direct conflicts between the profit-oriented objectives of private entities and the community-focused obligations, demand management, and water conservation efforts of LWUs.

### **Legislative changes to protect LWUs against privatisation**

Riverina Water fully supports any legislative measures proposed by the NSW Government to protect LWUs against privatisation.

Legislative change through the Constitutional Amendment (Sydney Water and Hunter Water) Bill 2023 ensured the continued public ownership of Sydney and Hunter Water. The bill amended the Constitution Act 1902 by inserting a new part 10 dealing specifically with continuing public ownership of Sydney Water and Hunter Water. Under new section 57 (1), neither the corporations themselves, nor a main undertaking of the corporation or any subsidiary, can be sold—or otherwise disposed of—without a new Act of Parliament to approve.

Riverina Water strongly urges the NSW Government to extend these legislative safeguards to LWUs through similar amendments to the Constitution Act. Such an inclusion will provide the necessary legal framework to protect LWUs from privatisation as amendments made to the Constitution Act will bind current, and more critically, future governments from selling off LWUs and secure their continued public ownership.

### **Conclusion**

Riverina Water appreciates the opportunity to contribute to the Parliamentary Inquiry into Protecting Local Water Utilities from Privatisation.

We remain optimistic that the insights presented in this submission, when considered as part of the overall impact of all submissions, will assist in protecting LWUs and ensuring that they

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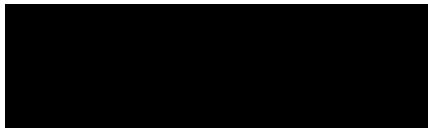
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remain under local government ownership. Riverina Water welcomes any opportunity to engage further with the Inquiry and other stakeholders to secure the future of regional water utilities in New South Wales.

If you have any questions regarding this submission, please contact me on [REDACTED] or via [REDACTED]

Yours sincerely



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