

**Submission
No 26**

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

Organisation: Orana Water Utilities Alliance

Date Received: 3 November 2023

6 November 2023

Via email: waterutilities@parliament.nsw.gov.au

Joint Select Committee on Protecting Local Water Utilities from Privatisation
Parliament of New South Wales
Macquarie Street
Sydney NSW 2000

Orana Water Utility Alliance Technical Committee submission – October 2023
Inquiry into how the Government can prevent and stop privatisation of local water utilities

Thank you to the Joint Select Committee for the opportunity to provide a submission.

The Orana Water Utility Alliance represents 13 local government owned water utilities (LWU's) in the Orana and Far Western Region of NSW. These utilities include the [Councils of Bogan, Bourke, Brewarrina, Central Darling, Cobar, Coonamble, Dubbo Regional, Gilgandra, Mid-Western Regional, Narromine, Walgett, Warren and Warrumbungle](#). These utilities provide safe drinking water and sewerage services to over 105,000 people, across 257,000 square kilometres via over 43,000 water and sewer connections. The Objectives of the Alliance and information on its activities can be found at: <https://owua.net/>

Amongst these LWU's are some of the most drought vulnerable and socially disadvantaged communities in NSW. Our member Councils have long held the view that water management in NSW is best facilitated by the Local Government ownership model. While saying this we acknowledge that there are always opportunities for improvement. The majority of the member Councils operate with a water and sewer team of less than 10 people. These people are usually made up of dedicated locals, especially the operational field staff.

In the last few years, regional NSW has experienced unprecedented impacts on water security and water quality arising from drought, bushfire, water quality challenges and the COVID-19 pandemic. By the end of 2019, the worst drought in 130 years of records saw numerous regional community water supplies at high risk of failure.

The OWUA believes that all state government water related agencies need to collaborate and invest in water utility resilience with regional water providers through capacity building, improved water utility risk management and non-asset solutions such as digital technology and improved access to water operator training in regional NSW.

Our submission

How local water utilities and their assets can be best protected against privatisation, forced amalgamations and sell-offs

Privatisation of Local Water Utilities

The OWUA supports protections against privatisation, provided that there are no perverse consequences with outsourcing to the private sector.

We believe that this is an issue that will be addressed with the measures to be implemented for Sydney Water and Hunter Water. Both have significantly more private sector involvement than Local Water Utilities (LWU's).

It is acknowledged that many Local Water Utilities in regional NSW don't have the scale to specialise in many water related functions. A degree of outsourcing to the private sector is common to all current publicly owned water utility models within Australia and overseas, metropolitan or regional/remote.

LWU's also have the additional challenge where short-term staff shortages have led to engaging the private sector to maintain minimum staff levels. The ability to bring in short term contract employees is imperative to keep critical and essential water and sewerage services available in regional NSW whilst we rebuild our workforce. It is also important to be able to access the private sector workforce during extreme incidents and climate events.

There is no compelling argument for the privatisation of any LWU. The private sector needs to make a profit. Full cost recovery is challenging for many small LWU's and poorer communities. The recent shocks with climate events leading to emergency and incident management lead to the conclusion that increased government funding and technical support is required.

Privatisation is not the solution to under-investment in water and sewerage infrastructure. Under-investment is largely a condition of a community's ability to pay for water and sewerage services. There is a wide spectrum of operating conditions in regional NSW, notably the difference in annual rainfall conditions between coastal to inland NSW, access to Water NSW's dams and regulated streams and the dispersed population that we serve across more than 250,000 square kilometres.

Forced amalgamations

The OWUA supports the long-held position of Local Government NSW opposing forced amalgamation. We support collaborative models at a regional level between councils to retain local community involvement and control over water and sewerage services. This model can be enhanced by regional water alliances between LWU's, which can be facilitated through the local government Joint Organisation and Alliance model.

The OWUA recommends that the NSW government consider delivering permanent ongoing funding for regional water alliances of councils to assist them with delivering efficient water and sewerage services.

Sell off of Local Water Utilities

A sell-off of local water utility assets isn't probable or possible without the consent of the council and the Ministers for Local Government and Water. OWUA supports any legislation proposed by the NSW government to prevent sell-offs. As stated above, there is no compelling argument for a sell-off of any LWU considering that full cost recovery is challenging for many small LWU's and poorer communities, as well as recent shocks with climate events requiring emergency and incident management, all leading to the conclusion that increased government funding and technical support is required.

Alliance position

Everybody in NSW deserves safe, reliable and affordable water and sewerage services. Small communities deserve equitable access to these critical and essential services.

Local government is best positioned to deliver these services in regional NSW. The consequences of failure of water and sewerage services can be extremely high and is still underappreciated. Increased attention is required to address the impact on public health, environment and local economies especially where Councils are the prime employers in our communities.

It is OWUA's position that a needs-based Community Service Obligation should be introduced to assist socio-economically disadvantaged communities in regional NSW achieve the same level of service for their water and sewerage services. There are several unintended consequences of focussing solely on subsidy for capital projects without considering the total costs of ownership of water and sewerage infrastructure including operations, maintenance, depreciation and borrowing costs for long-lived assets.

The government should consider aligning the CSO model with the Australian Government's Financial Assistance Grants (FAG's) which are paid to councils across the country based on an agreed set of national principles. The funding formula is developed by each state's Local Government Grants Commission, such as the NSW Local Government Grants Commission

A de-facto Community Service Obligation has already been set in some parts of NSW. IPART NSW already determine the customer share of capital and operating costs for the Fish River Scheme in Central West NSW (Water NSW) and Broken Hill in Far West NSW (Essential Water).

It is imperative that the government consults with Aboriginal communities and local councils together on water service provision for small communities. The Aboriginal Communities Water and Sewerage Program¹ is a 25-year program jointly funded by the NSW Government and the NSW Aboriginal Land Council. Access to long-term, untied funding combined with technical support and building local skills should be a long-term objective for all small communities.

Concluding comments

Developing a new alternative funding model for regional Local Water Utilities would represent a transformational opportunity for regional communities in NSW. The benefits from state investment in budget support for water and sewerage services to complement capital project subsidies will not only assist regional communities but will ultimately flow back to the state through improved economic development.

The OWUA supports a needs-based approach to assist socio-economically disadvantaged communities that lack access to economies of scale. It is important to generate a better balance between capital and operational support via a new model. The existing bias toward highly prescriptive capital support has led to bad outcomes. This prescriptive approach has led to adverse financial outcomes due to outdated approaches and an unwillingness to adopt new and innovative technologies or business models. These factors when combined with increasing community expectations and health standards have only served to exacerbate the affordability gap in provision of water supply and sewerage services to our regional and remote NSW communities.

Thank you for the opportunity to make this submission.

Yours sincerely



Technical Chairman

On behalf of Orana Water Utilities Alliance Technical Committee