

**Submission
No 27**

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

Organisation: Riverina Eastern Regional Organisation of Councils

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Response to the NSW Inquiry Protecting Local Water Utilities from Privatisation

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REROC

RIVERINA EASTERN REGIONAL
ORGANISATION OF COUNCILS

Riverina Eastern Regional Organisation of Councils Response to the NSW Inquiry Protecting Local Water Utilities from Privatisation

The Riverina Eastern Regional Organisation of Councils (“REROC”) encompasses 8 Local Government entities located in the eastern Riverina region of NSW. REROC’s Member Councils are: Bland, Coolamon, Cootamundra-Gundagai, Greater Hume, Junee, Lockhart, Temora and Goldenfields Water County Councils.



Our Region is unique with regard to the delivery of potable water services, in that the delivery of the services is dominated by two county councils: Goldenfields Water and Riverina Water. Riverina Water services part of Lockhart Shire Council and part of Greater Hume Shire, while Goldenfields Water provides retail water services to Bland, Coolamon and Junee and wholesale water to Cootamundra. Cootamundra-Gundagai provides a retail potable water service to Cootamundra and a full potable service at Gundagai. All our Member Councils provide wastewater and stormwater services for their communities.

Our Member Councils strongly support the protection of Local Water Utilities (“LWUs”) from privatisation. Our Members do not believe privatisation will provide any genuine benefits to the rural and regional communities they represent and is likely to result in poorer service and higher prices because of the low population density coupled with the vast areas that must be covered.

In addition, our councils maintain that one of their competitive advantages in attracting staff to the engineering areas of their councils is the broad range of work on offer including work in the water, wastewater and stormwater areas. The diversity of work is one of the ways rural and regional councils can attract and retain professional staff.

In response to the specific questions raised by the Joint Select Committee, we provide the following comments:

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

There is no compelling argument for the privatisation of LWUs in rural and regional NSW. Our Members believe that given the economics of delivering water, wastewater and stormwater services into rural and regional communities, that the safest place for those services to reside is in the hands of local government. Local Government is government at the grassroots, it is the government closest to the people it services and consequently is held most directly to account by the communities it represents.

Our Members believe that the council-operated LWUs are best protected against privatisation by passing legislation that prohibits mergers or amalgamations of councils and the restructuring of county councils into State-owned enterprises, which could subsequently be sold-off.

In the case of council-operated LWUs where service provision is embedded within core council operations this type of legislative protection would ensure that councils could never be merged or amalgamated. Not only would this protect the LWU functions of the council it would also provide protection to all council operations. While our Members support this approach, we recognise that it is unlikely the State would support such an outcome.

As an alternative, our Members would strongly support legislation being passed that ensured that water, wastewater and stormwater service provision could only be removed from council-operated LWUs where the council resolved unanimously for this to occur. We believe that councils should have the flexibility to determine their own futures in relation to the delivery of LWU services, consequently they should be able to retain the right to determine the future of those services.

In relation to County Councils, like Goldenfields Water we believe there may be scope to protect County Councils through a Constitutional Amendment in the same way that Sydney Water and Hunter Water have been protected. County Councils are stand-alone water providers and therefore could be named for specific protection under the Constitution.

Constitutional protection could also be extended to councils, however this would result in the protection of the council as a whole, because the LWU services are part of the council’s core functions. Our Members would support this outcome.

We note that the *Water Industry Competition Act* (“WICA”) offers opportunities for private enterprise to “tap into” existing wastewater infrastructure and effectively opening competition. In our Region the WICA has not been used by private enterprise and given that the majority of our councils have a strong commitment to the use of recycled water on parks, gardens and sporting fields this is a positive outcome.

(b) *Reviewing governance and other legislation relating to the potential privatisation of local water utilities*

Our Members believe that the most relevant “other legislation” that could lead to the privatisation of water utilities is the *State Owned Corporations Act (NSW) 1989*. We believe that it is a short step for these stand-alone Stated Owned Corporations (SOCs) to privatisation, particularly where there is an income to be generated by private enterprise. Our Members suggest that there could be amendments made to the SOC Act to protect LWUs and particularly County Councils from falling victim to the Act.

We are also concerned to ensure that LWU assets cannot be leased. This situation arose when in April 2017 the NSW LPI was leased to a consortium of operators for a period of 35 years. We are unclear as to what legislative mechanism the former Government used to enable the leasing of a State enterprise, however we believe it should be highlighted to ensure that LWUs are also protected from this hybrid form of privatisation.

(c) *Other Related Matters*

Our Members agree with the following statement:

Publicly owned enterprises provide consistently cheaper and more reliable services because they are run for public good, not private profit. On the other hand, the owners of privatised services have strong incentives to cut corners and raise prices in pursuit of higher profit margins. This consistently leads to privatised services being more expensive and less reliable.

In the specific case of water privatisation, there is overwhelming evidence that private water leads to more debt, less investment in water infrastructure, loss of reliability and quality – and higher bills.¹

We believe that when taking a long-term view the best place for critical infrastructure is under the direct control of Government. In the case of water infrastructure, the situation should be that every dollar earned is returned to improve the services that are provided to the community. In addition, in rural and regional areas, monopoly arrangements for critical infrastructure provide the most economically sustainable and equitable outcomes for communities.

Conclusion

Our Members welcome the opportunity to provide feedback to the Inquiry on this important issue. We support the Committee’s endeavours to ensure that council-operated LWUs are protected from privatisation and would welcome the opportunity to speak with the Committee about our concerns.

¹ <https://australiainstitute.org.au/post/after-the-nsw-election-privatisation-is-politically-dead-in-australia/>