

**REPORT ON PROCEEDINGS BEFORE**

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

**At Macquarie Room, Parliament House, Sydney, on Friday 8 December 2023**

**The Committee met at 9:30.**

**PRESENT**

The Hon. Stephen Lawrence (Chair)

**Legislative Council**

The Hon. Mark Banasiak  
The Hon. Wes Fang

**Legislative Assembly**

Ms Steph Cooke  
Mrs Helen Dalton  
Mr Michael Holland

**PRESENT VIA VIDEOCONFERENCE**

The Hon. Emily Suvaal  
Ms Cate Faehrmann (Deputy Chair)

Mr Justin Clancy

\* Please note:

[inaudible] is used when audio words cannot be deciphered.

[audio malfunction] is used when words are lost due to a technical malfunction.

[disorder] is used when members or witnesses speak over one another.

**The CHAIR:** Good morning. Before we start, I acknowledge the Gadigal people, who are the traditional custodians of the land on which we meet here at New South Wales Parliament. I also pay my respects to Elders past and present of the Eora nation, and extend that respect to other Aboriginal and Torres Strait Islander people who might be present or viewing the proceedings online. I welcome everyone to the first public hearing of the Joint Select Committee on Protecting Local Water Utilities from Privatisation. I am Stephen Lawrence, the Committee Chair. I am joined by a number of colleagues, who I also welcome. In advance, I thank all the witnesses who are appearing before the Committee today, and the many stakeholders who have made written submissions. We appreciate your input in this inquiry, which I now declare open.

**Mr BRENDAN GUINEY**, Executive Officer, Water Directorate, sworn and examined

**The CHAIR:** I welcome our first witness. Thank you for appearing before the Committee. Can I confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

**BRENDAN GUINEY:** Thank you for the opportunity to speak. Yes, I have.

**The CHAIR:** Do you have any questions about this information?

**BRENDAN GUINEY:** No, I do not have any questions.

**The CHAIR:** Would you like to make a short opening statement before we begin questioning?

**BRENDAN GUINEY:** Thank you. Just to briefly introduce myself, I have worked in local water utilities for 25 years in regional New South Wales. I have worked at the Water Directorate for five years. The Water Directorate is the peak body funded by the councils to assist the councils with their water and sewerage technical support and, in this case, advocacy to all levels of government. At the outset, of course, we want to protect local water utilities from privatisation. It isn't the solution to underinvestment in water and sewerage services in New South Wales. It will inevitably increase prices without improving service levels, and this has been the experience with privatisation of utilities overseas.

If we are to apply these protections, we must avoid the perverse consequences in applying protection through legislation. We were worried, back in June, about the ability to contract to the private sector. All water utilities do engage with the private sector for their services and their supplies—particularly specialist labour, which is in short supply in regional New South Wales. We believe this would have been covered with Sydney Water and Hunter Water, and therefore we'd defer to those protections as well and trust that they'll apply equally with local water utilities.

Local government is best placed to own and operate water and sewerage services in regional New South Wales. There are a number of collaborative models for councils to assist each other with improving and delivering those services. And yet we still have challenges with consistently providing water that is safe to drink and reliable in all climate conditions, including the 2019 drought and the recent extreme flooding. Just to conclude, we know water is essential to human health, and the social and economic consequences of failure of our water services can be extremely high. We know that increased government support is required for our local water utilities, and we're here to advocate for that. Thank you for the opportunity to attend.

**The CHAIR:** Before we begin the questions, I inform you that you may wish to take a question on notice if you don't have that information to hand. For questions taken on notice, we ask that you provide the Committee with answers in writing by Friday 12 January, if that's convenient.

**BRENDAN GUINEY:** Understood.

**The Hon. MARK BANASIAK:** Obviously you talk about the shortfall or staff shortages. Do you have any estimated figures in terms of how many staff the councils that you represent are short, on average?

**BRENDAN GUINEY:** The majority of councils are short some staff—even larger regional centres. There's a workforce of somewhere between 2,400 and 2,800, and we would like to do more workforce surveys. My sense of it is that we're short at least 400 or 500 accredited, trained water operators, and that's excluding the engineers.

**The Hon. MARK BANASIAK:** That's across—

**BRENDAN GUINEY:** Across the landscape—the 90 utilities.

**The Hon. MARK BANASIAK:** Can you talk us through the process of how one becomes accredited? A lot of the submissions have spoken about a lack of training or a lack of qualified people, and some have suggested that there should be a certificate level or something that would equate to a TAFE certificate. What is the standard, or how do you become accredited in this area?

**BRENDAN GUINEY:** Firstly, there is no minimum standard for water operators in regional New South Wales, unfortunately. You need a certificate to maintain an air conditioner, but you don't need a certificate in New South Wales to dose chemicals into drinking water. We have been advocating for that minimum standard. We also have challenges through the vocational training system where water is a highly specialised and what we call a very thin market. It's not very commercial. It does need some government assistance to actually further the training sector and get our operators trained and accredited.

**The Hon. MARK BANASIAK:** I guess there's more to it than just dosing water. Even on notice, can you provide a breadth of the activities that you would like to see accredited, or a set of core competencies that you would like to see become accredited?

**BRENDAN GUINEY:** Absolutely, yes. The two core areas in the workforce are around what we call network operations; in other words, maintaining water and sewerage pipes—everything from breaks and bursts, customer service, removing chokes from sewers and ensuring they're free and clear. And then the other primary function in the operations space is around drinking water treatment—with water as a food product, that's a really serious endeavour—as well as treating the wastewater and making it safe to return to the environment.

**The Hon. MARK BANASIAK:** That first part that you were talking about doesn't have to be done by a qualified plumber?

**BRENDAN GUINEY:** None of the functions I mentioned have a minimum standard, including drinking water treatment. There is a requirement in the drinking water guidelines to have, from a due diligence perspective, suitably trained staff, but we can't measure that minimum standard.

**The Hon. WES FANG:** Thank you for appearing today and giving up some time to further advise us as to the views that you and your organisation have. I believe that in your opening statement you indicated that you didn't believe that privatisation was, I guess, the panacea for some of the problems that you're finding. In relation to the bill that was put through the Parliament—the first bill, I believe, that actually, in fact, protected water utilities for metropolitan members of New South Wales, but failed to actually protect rural, regional and remote communities in the same way—would it be fair to say that there is perhaps an equity issue with that? Do you believe that that's going to create some issues around a divide, given that the Labor Party was prepared to protect metropolitan utilities but weren't prepared to back rural, regional and remote communities in having their water utilities protected?

**BRENDAN GUINEY:** We would certainly expect equitable treatment across the entirety of New South Wales. It's fair to say that at the Water Directorate we hadn't contemplated privatisation as necessarily a frontline issue for our members. We have certainly gone through a lot in the last four or five years with droughts and fires. To be honest, in June, the proposition caught us by surprise. But now that we're here, we certainly very much support protections against privatisation.

**The Hon. WES FANG:** Do you think it creates some concern for you that while they were specific in protecting metropolitan water utilities and specifying that that was their key goal, Labor refused to protect rural, regional and remote water utilities in the same way?

Obviously you've raised the equity issue, but does that then create for your organisation some concern that there's perhaps consideration within Labor Ministers' offices that they might look to privatise some of these rural, regional and remote facilities so that, effectively, they can wipe their hands of it? Is that a concern and do you see that that would create some equity or safety issues for those communities, where Labor have refused to protect those utilities?

**BRENDAN GUINEY:** I certainly feel we've got an equity issue, but it's different in the mindset of the Water Directorate, that across 90 local water utilities, particularly many of our small far western ones, they have trouble recovering all of their costs. The reason we haven't turned our mind to privatisation is that we aren't, in many instances, up to cost recovery—not making a profit that the private sector would be interested in. Another good example is that New South Wales already has water industry competition legislation. There's not many examples of those across regional New South Wales at all. We're focused on recovering our costs and trying to make ourselves sustainable, and the privatisation issue is a bit secondary.

**The Hon. WES FANG:** Given that you've said that there was no privatisation on the agenda for your organisation and given that there was no indication that there would be privatisation, you would think then that it would be a no-brainer for the Labor Party to have supported protection of water assets across the State and not just those in the Sydney metropolitan area. But they didn't. Does that create for you some concern as to what Labor may have in store for the future of rural, regional and remote water utilities?

**BRENDAN GUINEY:** I don't know whether I can answer that question fully but what I can say is that, yes—

**The Hon. WES FANG:** Can you see a reason that they wouldn't have offered the same protections that they enshrined in the constitution for the metropolitan utilities?

**BRENDAN GUINEY:** We only had one single concern, which was those perverse consequences where, if we couldn't access outsourced private services—either as a routine because it's the best for that utility or to access, particularly, emergency labour because of our skills shortages or because of flooding incidents and the

like—we'd want to be able to make sure we could continue with those short-term arrangements with the private sector.

**Mr JUSTIN CLANCY:** Thank you, Mr Guiney, for your time. In your submission you touch on significant regulatory hurdles in water service provision and you call for a streamlined coordinated strategic regulatory approach. I'm hoping you might be able to expand on that and what you would envisage there.

**BRENDAN GUINEY:** Thank you for your question. The water sector is quite heavily regulated, even in local government, which is our ownership model. Not only do we have the water-related legislation through the Water Management Act but we have the Local Government Act. We report on drinking water and drinking water frameworks through the health Act. We have environmental protection licences through EPA, regulated by EPA. There's a whole lot of competing demands. How to prioritise our decision-making in what we invest in for our service provision often can have numerous competing demands. Local water utilities would be greatly assisted from having a multi-agency approach to meeting those competing demands.

**Mr JUSTIN CLANCY:** Do you have a model in other jurisdictions that you see as being a gold standard in that regard?

**BRENDAN GUINEY:** I'm not sure if I can comment on a gold standard but I know the agencies have put some work into that over the last three years through the Town Water Risk Reduction Program, which is overseen by DPE Water. So there are some inroads into that, and we strongly encourage those conversations and having a strategic approach because some of these investments over a decade can number in the billions of dollars.

**Mr JUSTIN CLANCY:** So those conversations over the last few years about town water have been positive and constructive from your view and we need to continue progressing those?

**BRENDAN GUINEY:** Absolutely. We strongly support it on an ongoing basis. While the partnership with the State and Commonwealth governments over capital funding for water and sewerage infrastructure has been very welcomed and absolutely essential, we need to complement that with operational support. We talk about training. We talk about technology as well. Those non-asset components are not easy to cut a ribbon on, but they're fundamentally important to keeping our water and sewerage services safe and affordable.

**Ms STEPH COOKE:** Mr Guiney, taking you to your submission, I have two interrelated questions. On page 4, you state:

The consequences of failure of water and sewerage services can be extremely high and is still underappreciated. Increased attention is required to risk to address the impact on public health, environment, the local economies and consequently impacting the NSW economy.

My first question is for you to elaborate a little bit further on that, given that you've stated that you're also here in an advocacy capacity. Further to that, on the last page of your submission—and throughout, I must say—you talk about developing a new alternative funding model for regional local water utilities. If you could elaborate on that, dragging in that community service obligation model, I'd love to hear about that, please.

**BRENDAN GUINEY:** Thank you for your question. To the first point about the social and economic price of failure, apart from towns that perhaps are around the 1,000 to 2,000 population or less, where we can truck water in B-doubles to sustain those communities, anything much above that we've got nowhere to send those people. If there's no water to drink, we do have an absolute catastrophe. A good example would be what Tamworth faced, as one example. Tamworth, as a profile of its drinking water supply, probably 30 or 40 per cent of it is used to make food for New South Wales. There's large bakeries, meat processing and chicken factories there.

In an extreme event, where we're talking about the time to complete failure of a water supply, the first thing that happens is that the economy has to shut down. And what's the impact there not only to Tamworth but the State of New South Wales? But then, if we come to the human population of 40,000 or 50,000 people, we've got nowhere to take them. If we take them somewhere else, they won't have jobs. When we talk about socio-economic costs of complete failure, they're actually quite high and they don't seem to fit into the economic model of the dollar per kilolitre of water. On the second matter—I'm sorry, would you mind? It was about the community service obligation and the alternative funding model?

**Ms STEPH COOKE:** That's correct.

**BRENDAN GUINEY:** That is also on the radar for the Town Water Risk Reduction Program. It comes back to why we say that capital subsidies to assist councils with their water and sewerage infrastructure are very welcome. We need to complement that with other investments to make sure we can keep the water and sewerage prices affordable. There are numerous ways in an alternative funding model that you could do that. In some ways, they're already indirectly provided. DPE Water, for example, has a system of regional inspectors and managers. In emergencies and incidents, they come and assist councils with their operations. There are other ways where the

community service obligation to keep prices down could be through the pensioner rebate in regional New South Wales, which I believe is not equivalent to the Sydney Water and Hunter Water rebates at the moment. So that sort of budget support and operational assistance could take many forms and it would either improve services or relieve pressure on water and sewerage prices.

**The CHAIR:** Was there a third part of your question, Ms Cooke, or have I imagined that?

**Ms STEPH COOKE:** No, just the two.

**The CHAIR:** I've got a few questions, Mr Guiney. The first one is that you say in your submission that any legislation in relation to prohibiting privatisation would not be supported by the Water Directorate if there were perverse consequences in relation to outsourcing. I was wondering if you could assist us, in a bit more detail, with what are the particular aspects of operational reality in this space in terms of outsourcing and the like that we, as a Parliament, would need to be mindful of if there was to be legislation to ban privatisation in a certain sense?

**BRENDAN GUINEY:** I'll just provide the caveat that I'm a civil engineer by trade so I'll do my best with the legislation and the regulation. I'm taking a fair bit of comfort from the idea that Sydney Water and Hunter Water are comfortable with it because they do actually outsource their operations and supplies to a far greater degree than local councils. In saying those things, yes, the perverse consequences could have been not being able to engage private sector services for their operations, either on a routine basis or—potentially worse—if they've got either a skills shortage or an operational crisis of some sort. To provide essential services we need to obviously keep that water flowing through the system, and that's the outcome we're seeking. In terms of specific legislation, I don't think I'm equipped to go into much more detail.

**The CHAIR:** No, sure. So in terms of the services that might be outsourced on an as-needs basis that you would obviously want not to be affected by any anti-privatisation law, are there particular services that come to mind? Is it aspects of water treatment? Is it capital works? Or is it other things?

**BRENDAN GUINEY:** Well, certainly capital works needs to be largely outsourced. The local government sector doesn't have very much capacity to build new assets, if at all. There are exceptions. A good case study is presently with Dubbo Regional Council. They have a staff shortage and are advertising furiously at the moment to fill their team but they must keep their services going. They have, as far as I'm aware, engaged the services of a private sector company to provide relief operators to keep their systems going. That's really quite essential to the community of Dubbo.

**The Hon. Wes Fang:** Probably the former mayor's fault, or one of the former mayors anyway.

**The CHAIR:** I'll treat that as a comment. Did you have the opportunity to look at the amendments that were proposed in the lower House to ban privatisation when the law went through to protect the Hunter and Sydney utilities?

**BRENDAN GUINEY:** I must confess I didn't.

**The Hon. Wes Fang:** Too outraged.

**The CHAIR:** It seemed to say, as I recall it, in a very short form that there won't be privatisation of regional water utilities. I think the amendments were one or two lines—Ms Cooke might have a better memory. I know you're not a legislative drafter, and neither am I. Are you proposing, for example, that any law that sought to achieve this objective might have to define privatisation in a way that wouldn't include certain types of outsourcing?

**BRENDAN GUINEY:** I think I can only go to high-level principles. The principle that springs to mind is around the ownership and decision-making. Where we say local government is best placed to own and operate water and sewerage services, that is because they've got community representation through their councillors. As long as those decisions are the council's, I feel that's the objective.

**Mr JUSTIN CLANCY:** Further to the Chair's question, Mr Guiney, just for clarity there, you said that if any proposed legislation was modelled along the lines of what encompasses Sydney Water and Hunter Water, that model gave you some comfort given the assurance that it was acceptable to Sydney Water and Hunter Water.

**BRENDAN GUINEY:** That's correct, yes. The degree of private sector involvement with the State-owned corporations is larger than with the councils. For example, Sydney's water treatment plants are privately operated so if that model can work with Sydney Water and Hunter Water, it should work for local government—with the caveat that I'm not very good at striking up legislation.

**The CHAIR:** Going back to that question of outsourcing, the two things that you single out are firstly ownership and then control in terms of decision-making. Is that right?

**BRENDAN GUINEY:** Correct.

**The CHAIR:** How would you view in that context medium- or long-term leases, for example, because that's often a way that a form of privatisation is achieved? Would you see that as not consistent with those two principles?

**BRENDAN GUINEY:** No, I wouldn't see it as inconsistent. I believe the local government sector can consider private sector models. There are controls over those models by seeking the consent of the Minister for Local Government.

**The CHAIR:** So, for example, if a medium- or long-term lease left council with certain decision-making power, then it might meet those two principles?

**BRENDAN GUINEY:** I believe so, yes. I can't think of a model, but yes.

**The CHAIR:** I'm interested also in your view on how regional models might assist in the delivery of this service, Could you speak to your knowledge of what's happening at the moment but, also, what would you see as a more ideal model in terms of the regional delivery of water services?

**BRENDAN GUINEY:** We've been consistent also with our fellow association, Local Government NSW, that local government and councils are best placed to own them. There are collaborative models through joint organisations and regional water alliances that assist with the strategic issues that councils face. I'm particularly interested because the other State in Australia that has a common local government-owned framework is Queensland. Queensland, to the tune of approximately \$2 million per year, funds and promotes regional water alliances through its QWRAP program. Those sorts of initiatives can do anything from asset management to, particularly, skills and training, where we say it's much better to have a large training cohort than try to deal with very small teams and very remote teams. There are numerous other case studies we can provide of the advantages of regional collaboration. I believe there are quite a few joint organisations on the list today that can also speak to those.

**The CHAIR:** How, in substance, is what is happening in Queensland different to what is happening here?

**BRENDAN GUINEY:** It's the funding support to actually provide some program management and some initiative. I find if we try to do it all in kind through water management staff, it's a very difficult burden for them and they really welcome the additional strategic assistance.

**The CHAIR:** The other question I have is how can a whole-of-government approach to both oversight and support for water service provision in New South Wales be improved.

**BRENDAN GUINEY:** We would certainly start with saying the most welcome program in the last few years was the Town Water Risk Reduction Program for local water utilities. We would love to see that promoted over a longer period of time. It's been given, so far, two very short phases of two years each and it's hard to get a run-up from a budget perspective and a resource perspective. We would seek to see that become quite a long-term arrangement and ideally includes the skills and training action plan that's within that program. We would like to look at promoting digital technologies. There's an advanced operational support program also embedded in there. So long-term funding because it takes a while for us to embed these initiatives—such as new trainees and new technology—into our systems. Two years per phase isn't quite enough.

**The CHAIR:** Are there other long-term State investments that would assist regional communities to provide this service?

**BRENDAN GUINEY:** These sorts of initiatives are all about reducing risk now, and the long-term capital investment is still a huge need. There's a lot of unfinished business in the Safe And Secure Water program, and, particularly now, what we're seeing with water security modelling is—our experiences with the floods—we need to build resilience. That's got to come through capital investment, and that includes not only being able to withstand a flood or fire but, if you do have a failure, an ability to bounce back with having a plan B. So our challenges are still numerous, and we'd like to do better with more capital investment.

**Mr JUSTIN CLANCY:** I just wanted to expand on the capital funding there a little bit please, Chair. Mr Guiney, you have just touched on that. Moving forward, do you feel this needs to be a bespoke funding program for regional water utilities, or should it be on a competitive basis across the whole State, including metro areas?

**BRENDAN GUINEY:** Currently there is the Safe and Secure Water Program that's been in existence since 2018, and its predecessor was the Country Towns Water and Sewerage Program. The partnership between local and State governments has been very long and has achieved a lot of benefit, so much of what I say today shouldn't be at the expense of this capital investment program. To two points—the first is, should it mix with metropolitan investment? No, I don't think it should, because I don't think small communities can compete with metropolitan. The other thing that Safe and Secure Water did that country towns didn't do was it actually removed competition from the program application process, because we needed small communities not to have to be excellent bid writers, and some councils can outcompete other councils. We very much want a needs-based model where the highest risks and the most need, particularly for small communities—they don't have to go through as big a bidding process whilst meeting, I suppose, all of the governance requirements of acquitting funds, of course.

**Mr JUSTIN CLANCY:** From a capital point of view, does the current model serve well in that regard?

**BRENDAN GUINEY:** It's absolutely heading in the right direction. One comment I would make is that Safe and Secure does have a table of funding mix. If you're a larger, well-funded council you get, say, for example, about 25 per cent funding from the State, which means the council will find 75 per cent and also carry the risk of overruns on the project. A very small council might have 90 per cent State funding, but if you're looking to fund, for example, a \$10 million project, that council still needs to find, borrow and service \$1 million in borrowings, which is still quite a lot for a small community.

**Ms STEPH COOKE:** Just to build on that last comment on Safe and Secure, do you believe that there need to be different caveats built into that program that better reflect the capacity of small regional councils, particularly those that have a large geographical area with a low ratepayer base, where you might have a town centre of 2,000 to 3,000 within that local government area but you might have smaller villages that are 400 or 500? Do you believe there need to be improvements in the guidelines to take into consideration the different challenges faced by different council areas to make it more fit for purpose and, if so, what might they look like? Have you given any consideration to that?

**BRENDAN GUINEY:** We have, yes. I think I have already touched on the amount of co-funding, if you will. Recognising council as a funding partner and the burdens of servicing principal and interest are areas that could be considered in the guidelines. And the second is the project prioritisation framework itself. The needs-based process was very welcome, so we wouldn't stray away from that. But some parts of what's termed "the eligible risks and issues list" doesn't favour particularly small communities. I feel like it's just a tweak of the program and certainly and ideally a lot more funding coming into the program to assist the councils—yes.

**The CHAIR:** In terms of capital investments, are we talking, in the main, about water filtration plants, piping and bores? Are there any other things that fall within that rubric of needed capital investment in the long term?

**BRENDAN GUINEY:** Absolutely. On the water security side—certainly dams, including off-stream storages. Regional pipelines are another advantage. When we talk about resilience, we're looking for those plan Bs that reduce risk. So if your town has a groundwater supply to go to when the river's in flood or when the river's run dry or you can open a pipeline with your neighbouring council, all of those would be very welcome to reduce risk for those communities. On the wastewater side, in inland rivers we need to make sure that the nutrients that are in wastewater don't contribute to environmental issues such as algal problems and other issues. Another desire would be—we need green liveable spaces, so water recycling for our public open spaces. Having cooler communities out there is a strong desire as well.

**The CHAIR:** Is there anything that you would say about measures needed in relation to water quality, particularly arising from risks of drought, bushfire and those types of emergencies?

**BRENDAN GUINEY:** Coming back to the theme of multiple-agency requirements, a recent introduction in the health regime are the health-based targets for drinking water. Those are introducing more stringent safeguards on drinking water. Those are very welcome; we want healthy water for our communities. That's also coinciding with the climate events that we've been having, with drought and declining source water quality. That includes groundwater: when it's declining, groundwater quality tends to get worse. So 90 per cent of the time we've got, perhaps, risk under control, and when we've got extreme events we need additional water quality safeguards. There are some examples of small towns where they've had to move from river water to groundwater, and, while it might technically meet the water safety guidelines, it's not palatable. If it's not palatable to drink, people don't trust it and they'll turn to other products like soft drink.

**Dr MICHAEL HOLLAND:** Thank you, Mr Guiney. A lot of the information is very appreciated. You said in your initial statement that there has been a previous underinvestment in water and that it would not be



solved by privatisation. Returning to our terms of reference, would you give us a dot-point summary of how we protect local water utilities from privatisation?

**BRENDAN GUINEY:** I think the safeguards that are going to be put in place for Sydney Water and Hunter Water and—provided that there's no perverse consequences. Yes, it's a really simple statement to make—to maintain local water utility ownership in the hands of local government, particularly councils.

**Mrs HELEN DALTON:** I am the member for Murray, and it is a large electorate with lots of challenges. You were talking about water quality and blue-green algae. What oversights are there for councils to maintain water quality? Who makes sure that the councils are actually doing the right thing?

**BRENDAN GUINEY:** It's fair to say that catchment management and catchment water quality has numerous stakeholders; it's not solely with councils. In fact, one of the most challenging things is that any single catchment will have numerous councils, so the water changes boundaries. Whose responsibility does it become then? We add in that the run of the rivers generally, inland, is managed by WaterNSW, and the Town Water Risk Reduction Program has kicked off a new partnership with WaterNSW as a community service obligation to increase monitoring of water quality in our catchments. I'd just answer the question properly and say that councils do have a part to play in terms of how they extract their water and how they return it to the environment via their wastewater systems, but there are numerous catchment management, land management and monitoring activities that are beyond the scope of council that we need assistance with.

**Mrs HELEN DALTON:** I suppose that leads to the issue that happened in Griffith in 2017, where water was taken—they ran out of town water over the winter time. I guess Griffith's bit of a different beast in that we have water delivery companies that deliver water into Griffith. So they ran out of water, and then drew water from Lake Wyangan, which was on a blue-green algal amber alert. The council didn't notify any of the residents about that. It was only from the taste and the smell of the water that people became alarmed about what was going on. But blue-green algae—I'm just concerned and I'd be interested to hear what you have to say about that. A lot of the treatment plants are not able to screen out blue-green algae, and I would say it would be a fairly—I suppose most councils wouldn't have that capacity. I know that throughout my electorate we do have blue-green algal alerts along the Murrumbidgee and indeed the Murray. Who is oversighting or what oversight is there of that happening again and again?

**BRENDAN GUINEY:** Again, it feels like a tragedy of commons amongst our agencies and our councils and that sort of thing. So not one "who", but many. But to come to your point about the difficulty of treating water with algal blooms, yes, it's very difficult and expensive to guarantee drinking water safety in that environment. We generally would prefer to try to find that plan B. If we have groundwater supplies or an alternate supply that doesn't have an algal problem, that is where we would like to see drinking water supplies to go first.

**Mrs HELEN DALTON:** Who has oversight of the councils? Like, if we continue on—

**BRENDAN GUINEY:** In terms of drinking water health, that's NSW Health. Once council has extracted it, council is required to have a drinking water quality plan and meet the Australian Drinking Water Guidelines.

**Mrs HELEN DALTON:** How vigorous is NSW Health in monitoring all of that and, given that real-time data is bit of a problem too, how vigorous is it in making sure that councils are compliant?

**BRENDAN GUINEY:** In my view, very vigorous, yes. What I mean to say is that, coming back to the resilience piece, we need more plan Bs—more alternatives when something goes wrong—so we can provide results. So 90 per cent to 95 per cent of the time there won't be an issue with the investments that we've got. When we get the algal blooms, when we get the floods and the muddy water, or when we get a glut of pollutants down from bushfire run-off, that is when treatment systems can fail, and we either need to invest more in treatment or we can invest more in catchment management and monitoring. There are plenty of solutions, but we still have a risk of failing in those climate events, including algal blooms.

**Mrs HELEN DALTON:** Well, we have Balranald. I don't think they've got a plan B in groundwater supplies, and often they're getting to the end of the Murrumbidgee.

**BRENDAN GUINEY:** At the end of the catchment, yes.

**Mrs HELEN DALTON:** And their water quality is at times wanting.

**BRENDAN GUINEY:** Yes.

**Mrs HELEN DALTON:** I mean, this comes up over and over again. So I bring you back to that question again: How rigorous is NSW Health in making sure that the people of Balranald have reasonable-quality water—because at times it is terrible?

**BRENDAN GUINEY:** I think NSW Health is on later as well. I think the key issue is the level of investment that Balranald needs in its plan B. Either higher treatment or an alternative water supply is not something that is funded by NSW Health. It will measure the quality of the water, but the investments need to be by council and assisted by DPE Water through Safe and Secure—

**Mrs HELEN DALTON:** Well, the investments come back to Ms Cooke's question too. Following on from that, smaller councils aren't properly equipped financially to do those investments.

**BRENDAN GUINEY:** Yes.

**Mrs HELEN DALTON:** I know that they have to put in applications for grants. They are often short of staff. Shouldn't it be on a needs-based process—talking of a needs-based process—where if your infrastructure is run down, and the council or the general managers would certainly know that, it is just a matter of allocating those resources, without all the hoo-ha of applying for grants, waiting for all of this, and making sure that all the checks and balances are done? Really, we should just get on with the job and make sure that people in smaller towns, and indeed in larger towns too, have adequate, reliable, high-quality water.

**BRENDAN GUINEY:** I absolutely agree. There's a very long priority list of needs in regional New South Wales at the moment.

**Mrs HELEN DALTON:** We had over \$1 billion in this Safe and Secure Water Program.

**BRENDAN GUINEY:** Yes.

**Mrs HELEN DALTON:** Why wouldn't it be rolled out as quickly as possible, given that every day is a day closer to drought—every day? We're looking down, now, the issue of drought. The last drought I think that really impacted my area was in about 2017-18. Here we are down the track, another three or four years, and yet I don't see any improvement. Where are the blockages in the system? Why can't things be rolled out?

**BRENDAN GUINEY:** Firstly, I believe that the backlog of need across regional New South Wales would be in excess of \$4 billion or \$5 billion. If we had all of that money today, if Treasury gave that to us, we wouldn't have the capacity to build it in the time that you would want. That's why we start talking about the skills of operators to be able to innovate and bring in new technology, because we can't avoid the capital investment, but we can actually make the assets we've got work a bit harder.

**The CHAIR:** We have reached the end of the allocated time for Mr Guiney, but we can continue if members wish to. I just want to flag, though, that we've reached the end of time. Do people want to continue?

**Mrs HELEN DALTON:** Just one more question. I suppose this is the bigger question: What keeps you awake at night—with water?

**BRENDAN GUINEY:** I mean, it has been a tough five years from where I've been sitting. My phone rings regularly. When the councils can't find the assistance, when the water security is declining or the drinking water quality has not met its specifications, what do we do next? I know there are a lot of very valuable council staff out there working their hearts out, and they just need some more support. My organisation has 2½ staff attached to it. For us, it's a role in some technical advice and advocacy, but we need to bring some investments in, operational support as well as capital investment.

**The CHAIR:** Thanks very much for your evidence, Mr Guiney. You'll be provided with a copy of the transcript of today's proceedings for corrections.

**(The witness withdrew.)**

**(Short adjournment)**

**Councillor RUSSELL FITZPATRICK**, Board member, Country Mayors Association of NSW, before the Committee via videoconference, affirmed and examined

**Mr ANTHONY McMAHON**, CEO of Bega Valley Shire Council, before the Committee videoconference, affirmed and examined

**The CHAIR:** I reopen the committee hearing. Next up are representatives of the Country Mayors Association, Mayor Fitzpatrick and the CEO of Bega council. I welcome you, gentlemen, and thank you for appearing before the Committee to give evidence. Have you been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

**RUSSELL FITZPATRICK:** Yes, we've read the terms of reference and also the submissions.

**The CHAIR:** Great. Do you have any questions about this information?

**RUSSELL FITZPATRICK:** No, none at all.

**The CHAIR:** Thank you. Would both or either of you like to make an opening statement before we begin questions?

**RUSSELL FITZPATRICK:** I'll make an opening statement on behalf of Country Mayors and supporting our submission. The local water utilities exist for the good of our local communities and provide an essential service for health and welfare. They are predominantly staffed by people from the local community who care deeply for all their neighbours, family and friends. Local staff are investing their time in the service they provide and are rightly proud of their dependable results. In 2003 Bega Valley Shire outsourced full management, including the operations and maintenance, of its sewerage treatment plants. That also included a combination of building several new plants and augmenting some existing plants. What council found over that time was that due to the contractor not having the same vested long-term interest as the community and council, a culture of corner-cutting and underinvestment occurred. This meant at the end of the contract that the shire had inherited sweated assets that come at quite a cost to our community.

Water and sewer services are enduring and will always be required. There is very little discretion available as the service standards given are necessarily highly regulated requirements. Under the current legislation framework, local water utilities are considered operators of last resort should private schemes fail. The onus of local government already creates a predicament when a service expectation is set. However, there is the potential for an operator to cease service provision at the point of critical asset failure without provision for any asset renewal. The local government already has clear mandates in terms of its financial management and civic responsibilities to its constituents, and local government is a highly regulated sector, including financially. This means councils' local water units are already required to provide extremely high levels of transparency in their reporting and accounting. That's what we've found, and we believe that the best place for water utilities is to be owned by the local council and operated by the local council and owned by the community.

**ANTHONY McMAHON:** I don't think there's too much more to add to that, initially, other than to say that there are already mechanisms in place for consolidation of services across the areas within the existing legislation. County councils, for example, are typically a good model of getting efficient and effective scale regionally and benefits from doing so. From my perspective, there are already mechanisms in place to do sorts of the things that privatisation may be aiming to achieve in the first place anyway.

**The Hon. WES FANG:** Thank you very much, gentlemen, for appearing today and for providing your time and insights to the Committee. I want to start with the previous legislation, which is pretty much where this issue was raised. There was legislation brought by the Labor Party to protect water assets in metropolitan areas, and my colleague Steph Cooke sought to have rural, regional and remote water utilities also protected under the same legislation, but the Labor Party blocked that. My recollection at the time was that the Country Mayors Association in particular was quite strong in supporting Steph Cooke's position on those amendments to the bill. Can you provide a little bit of insight as to why you believed that it was important for rural, regional and remote communities to have their water utilities protected in the same way that Sydney metropolitan and outer Sydney areas were being protected with the bill that the Labor Party brought before the Parliament?

**RUSSELL FITZPATRICK:** That's what our community expects—to be protected and operated by the local council. Part of one of the core assets in regional New South Wales is to operate your water and sewer accounts as well as your general fund, and that's what our local communities expect. They know the problems through drought that we go through. They see the problems and they expect us to implement restrictions as soon as possible, if required. They look for leadership on that, and I think they look for that from the local council.

**The Hon. WES FANG:** Do you think the Labor Party's view in not protecting those rural, regional and remote water utilities effectively treats those people that are reliant on those services as second-class citizens?

**RUSSELL FITZPATRICK:** I'm not here to comment on that. I just believe that the local council is the best place for them and fully support the bill.

**The Hon. WES FANG:** Do you think that people in those rural, regional and remote communities deserve the same protections that are afforded to metropolitan areas?

**RUSSELL FITZPATRICK:** We most definitely do. That's why the Country Mayors support it, and that's why most regional councils also support it. I'd say all regional councils support it. They'll want surety that they'll be continuing their water services and providing that to the community.

**The Hon. WES FANG:** Can you envision any reason as to why the Labor Party refused to include those assets? Do you think that there's perhaps a risk that there may be privatisation in the future given that they were so determined for those amendments to not be adopted? And do you see any risks if they are privatised?

**RUSSELL FITZPATRICK:** Well, of course. I've alluded to what the risks are in our own journey in Bega Valley shire, where we actually had private contractors in. The level of the assets we got back ended up quite costly to us as a local government, which affected our community and our ratepayers. So our experience has been firsthand that it should always remain in councils' hands, and I don't think our council will ever be going down those lines again to a private contractor.

**The Hon. WES FANG:** My final question before I hand over is that given that we've now got metropolitan water utilities enshrined in the constitution, do you believe that it's incumbent on this to Parliament do the same for rural, regional and remote communities, and provide them the same protection that the Labor Party offered the metropolitan areas?

**RUSSELL FITZPATRICK:** That's what the outcome of the bill would be, and that's why we support the bill. What we'd like to see is legislation increased around Safe and Secure Water funding so that regional councils can actually get forecasts with great certainty as to how their assets are improved and where our filtration plants will be put on, with a large increase in population in places. We'd like to see more certainty around those funding sources so that when we do start our planning, they'll realise that if we get a filtration plant up and running, it's a four- or five-year planning stage and costing stage and engineering stage. We need to know at the end of that period that there is Safe and Secure Water funding there, at whatever level, and we build up the cash requirements in the council to meet our contribution. At the moment it's 75 per cent from council and 25 per cent from the State Government. I'd like to see that reversed and at least be a fifty-fifty quote, but I'm talking with my mayoral hat on and my ratepayer hat on.

**The Hon. WES FANG:** I very much appreciate those answers. Thank you. I'm not sure that we're going to get the funding given that we can't even get the Labor Party to protect rural, regional and remote assets, but we'll see how we go.

**Mr JUSTIN CLANCY:** Mayor Fitzpatrick, in the submission it touches on relaxing some of the over-bureaucratic approaches to water utilities. The comment is that a level of considered and sensible autonomy would add to the ability of regional operators to maintain their water assets in an effective way. Would you be able to expand a little bit on that, please?

**RUSSELL FITZPATRICK:** [Inaudible] to expand on it. He's dealing with it on a daily basis. We're building a new filtration plant where we have a new cost impact put on us by the Health department, for instance, after we'd already done all the planning. I might ask him just to elaborate on that experience of Bega Valley.

**ANTHONY McMAHON:** Yes. Thanks, Mr Mayor. And I can sort of reflect back on some past experiences from out in the Hilltops area, where I experienced this as well. Examples are where access to funding for support for providing essential community infrastructure in securing water or providing water treatment was overly convoluted, from my perspective—where the department were expecting councils to, essentially, spend hundreds of thousands of dollars on strategies and plans that were always going to point to what the logical solution was at the end anyway, and expecting over-analysis, in my opinion, of options and risks, and then, at the end of the day, losing time and communities being worse off all the while.

I take note of who is on the Committee here; they'd probably know exactly what I'm talking about. An example is a pipeline out in the Boorowa area where, to try to justify getting water to communities—it's extremely essential—it was held up by, essentially, bureaucracy, when at the end of the day it wasn't going to change the solution. The level of reporting and duplication of reporting that is put on local water utilities doesn't seem to make sense. It's a heavily regulated area at the moment, where you've got the EPA playing a role, you've got NSW Health playing a role, you've got DPE Water playing a role. We have to report similar bits of information

in every direction, and it feels like there's no consistency and understanding or communication across some of those agencies at times. It does add to the burden of what we're trying to do: just to provide commonsense, high-quality services to the community.

**Mr JUSTIN CLANCY:** To your point, there—as you said, there are several government departments. Perhaps for council to be able to have one door or one person that they need to be speaking to and then, if departments need to liaise with one another, whether it be EPA or Health, they could take care of that and you're just having to report to the one entity or the one part?

**ANTHONY McMAHON:** Yes. A practical example—this is what the mayor alluded to—is in the case of Bega. We're currently looking to build a water treatment plant. We've got funding from the State Government through DPE Water through the Safe and Secure Water Program. Great funding; great opportunity. We had an agreed scope with DPE Water on what it was that we were going to construct. And then, at a point in time, NSW Health decided that they wanted to change the standard or scope of what we were going to include in that treatment plant, which then had essentially around a \$600,000 capital cost impact and an ongoing operating cost impact in the order of \$50,000 to \$100,000 a year because of additional energy inputs required. It's almost like we've got one agency that is on the same page as us, and then another agency that is making life difficult for who, in our opinion, are essentially the agency at the end of the day responsible for regulating water. I mean, that's only one example of where this sort of thing happens. It sometimes happens in catchment management around some of the storages that local water utilities are responsible for too. That's just a practical example.

**Dr MICHAEL HOLLAND:** Anthony, welcome. Thanks for coming. Russell, good to see you again—twice in one week. What would be the solution of streamlining those levels of agencies and departments?

**The Hon. WES FANG:** Backing a bill.

**The CHAIR:** Order!

**ANTHONY McMAHON:** From my perspective, I don't think there's necessarily a simple solution because it's not just an agency-related issue; it's also a legislation issue. You've got separate pieces of legislation that all impact on the provision of water and sewer services. If I go to sewer, for example, the quality of effluent being discharged back into the environment outside of the sewerage system obviously has potential environmental consequences, so you have the EPA involved in that. But then, where that treated effluent is going can potentially impact things, in our case, as you are aware, like the oyster industry. So NSW Health provide a regulatory role in water parameters coming out the other end. They're two different pieces of legislation that those agencies are responsible for implementing. I guess what I'm indicating here is I don't necessarily have the solution, but it isn't as simple as a unified agency, unless you're going to start looking at unifying pieces of legislation and ministerial portfolios as well. In my opinion, that's not dissimilar to a number of other functions that happen in State government, where you do have that crossover and it's not an easy thing to solve.

**The Hon. MARK BANASIAK:** Just going to your submission, you've already touched on the Safe and Secure Water Program, but you say that you would like to see a more structured rollout of water infrastructure funding. We just heard from the Water Directorate that there's probably \$5 billion worth of work that needs to be done across the State. I wonder whether you could provide a bit more detail as to what you see as a structured rollout. Do you think we need to do some sort of needs-based analysis across all the councils and then go from there?

**RUSSELL FITZPATRICK:** Yes, needs-based analysis would be great, but I think most of the local government areas already have that in their own area—what their needs are. It comes back to a funding issue. And it comes back to sometimes meeting the grant funding as required around best practice. The best practice set by the Water Directorate may be great, but one size doesn't fit all, and that's a classic case. In your tourist areas, for instance, we might have houses that only turn the taps on for six weeks of the year. But we can only charge them—75 per cent has to be charged on usage and 25 per cent on assets. In a coastal area, that's just not—as I said, one size doesn't fit all. It's a matter of changing some of the best practice guidelines to suit the area that you're actually trying to water and get water assets into. And there will be a cost. There will be a cost to the ratepayer if they want that level of service, and we recognise that, but it can be an option to actually go to that level of service, as long as we've got the water supply. That's a whole other issue under the water licences, to make sure you've got the water supply.

**ANTHONY McMAHON:** If I can just add to that, the other thing to keep in mind in considering allocation of funding based on needs is that not all water utilities are going to have the same constraints, if they're the same size or depending on the population they're servicing, and very much can be impacted by availability of source water, catchment profile—in other words, what type of catchment you've got and what the ability to service is. Certainly, from a sewer perspective—and even a water perspective in the case of some of the coastal councils

with really steep topography—it is a much higher cost per kilolitre to treat water for supply or to treat it as effluent, mainly because of the topography. A lot more pumping is required and much more discrete catchments, unlike some of the larger areas where you might have a very large water source that's then able to be treated in one location and distributed through a reticulation network quite efficiently. So, in understanding the needs, I don't think it should be a one-size-fits-all assumption across the State either.

**Mrs HELEN DALTON:** Thanks for your submission and for attending today. I'm from the electorate of Murray, so a little bit different. I guess, given that your organisation is based around 84 members covering the vast majority of rural/regional New South Wales, you would be able to answer most of these questions. One thing that I want to know is how really diverse it is amongst the councils on who trades water. Which councils trade water, and is that just in a few councils in my area or is it quite extensive around the State?

**RUSSELL FITZPATRICK:** On the coastline, no councils trade water. Only, I think, a couple of councils might buy water off other councils adjoining them, because they don't have the supply or the storage—a few arrangements like that. I can't speak for some of the western councils and how many of them are trading water.

**Mrs HELEN DALTON:** What protections are there against councils that are financially strapped and trade their water, obviously during times when water is of high value, such as drought? Often, that's what they do. They cash in their chips to be able to fund some of their other programs. But in doing that, of course, they dewater some of the recreational grounds and things like that. So what protections are there in place to stop councils doing that?

**ANTHONY McMAHON:** I'm happy to answer that. One of the things about the current regulatory framework around local government being water and sewer utilities is that we cannot cross-subsidise our general fund operations out of water and sewer unless we meet certain criteria that are set. The concept of trading water that's meant to be used for urban water supply purposes to then prop up other operations of local government services isn't actually something we're able to do.

With your question, I'm not quite sure whether there are some of those councils, say, in the irrigation areas that have got themselves in the space of having investments in water shares as an investment—I don't know if this is the case, but potentially something the general fund has acquired as an investment resource that they then trade, similar to how they might have cash investments in banks, for example, in term deposits. If that's what you're alluding to, I'm not quite sure. Maybe that's possible. But, in terms of using urban water licences to trade for financial gain to prop up other services of their council operation, that's not something they can do.

**Mrs HELEN DALTON:** No, probably that water has got a higher security or a higher reliability. But there are other buckets of water that councils own, such as general security, that they do trade. But they'll put it in to trade the water to fix up a road, say. So is there no oversight? The other question I have as part of that is what is the oversight? Is there transparency? Should there be transparency around who that water is traded to and how much it's trading for? What's your opinion on all of that?

**ANTHONY McMAHON:** I certainly have a view that, for urban water licences, they should be secure and unable to be traded without approval and, I would say, on a really clear, justifiable needs basis across communities. I guess what I'm alluding to here is, if one community in a catchment is nowhere near going to utilise their licence in a year but another one, say, further downstream in the same catchment is, there should be potential maybe for trading in those cases.

In terms of other water extraction licences that they may have that aren't those high-security urban ones, then, in my opinion, I don't see any issue with them being dealt, independent of this issue around local water utilities providing water services. To me, it's securing the urban water needs of communities through local water utilities in local government that should be the focus. Any water outside of that, I consider a bit differently. Things like extraction licences for road construction, for example, just as another potential water extraction use—I don't consider them to be as pertinent as the urban water.

**Mrs HELEN DALTON:** I know, pressing the issue, that councils will not fill up their local lake and instead trade that water. What's your attitude with that? That's a recreational lake for the community and cash in their chips, I guess, to try and prop up their funds. I do believe that that does occur. What oversight is there within your organisation? Is there any attitude about that or does it get spoken about?

**ANTHONY McMAHON:** I'm aware of an example of where that may apply somewhere like in your electorate in Moulamein, where I do know that there is a recreational lake out there that gets used for waterskiing. It's essentially probably one of the most important recreational facilities within that community. In other areas, it might be something like the swimming pool that's the equivalent there. My opinion is that that type of thing should be up to local council in consultation with their local community to decide what the service priorities of that

community are and where they best invest their funds for those recreational services. Again, I consider that very independent to the essential service of providing urban drinking water and potable drinking water supplies.

**Ms STEPH COOKE:** Good morning, Mr Fitzpatrick and Mr McMahon. It's lovely to see you both. I have a couple of questions for you this morning. The first one relates to the Town Water Risk Reduction Program, started by the former Coalition Government. We heard from the Water Directorate this morning that this is a program that has already delivered significant benefits to local water utilities. It's a program that they believe should be under consideration for long-term investment, expansion and further development, noting that it's quite new, if you like, and we're yet to fully realise all of the benefits. I'm just wondering, either from your local council's perspective or from the CMA perspective, what has been your experience with that program and is it something you believe that we can further expand that we should be recommending is on the agenda into the long-term for government?

**ANTHONY McMAHON:** I'm happy to answer that. There have been different iterations of that program over a number of years. It's had different names, but similar intent. That type of program has been essential for rural and regional communities to be able to service the needs of their communities. The reality is that with the scale of population in a lot of the rural and regional areas, the costs of fully funding all of the infrastructure and services needed to provide safe, low-risk drinking water and protect the environment from the sewerage side of things is realistically not feasible in a lot of communities without some sort of government subsidy.

I guess one of the things across New South Wales that we're facing at the moment is challenges around housing availability and affordability. If we were to assume that we're going to get rural and regional communities to fully fund the cost of everything that's needed to deal with the current scale, let alone any growth, we're essentially going to stifle the opportunity for rural and regional communities to grow because the cost per capita of providing these services is not the same as in densely populated metropolitan areas.

**Ms STEPH COOKE:** If I could just clarify, just so I make sure that I'm understanding correctly, there are two issues that you've identified there. One is the provision for your existing population base and the renewal of infrastructure to make sure that it's current and able to deliver for existing residents and then the second issue is around enabling infrastructure and ensuring that there is funding available to ensure that we can grow our communities. Is that fair?

**ANTHONY McMAHON:** Yes, correct. Quite often, the two go hand in hand and overlap. In the example of the sewerage treatment plant, you might have a sewerage treatment plant reaching near the end of its life to service the needs of the existing community and there's the opportunity to renew that sewerage treatment. This is playing out in the Bega Valley, by the way, at the moment. There is opportunity to redevelop it to cater for the current scale of community or, in the redevelopment, cater for some growth opportunity in there too. In my opinion, having the ability to be forward looking and cater for potential growth and even attract growth in rural and regional areas by slight additional investment in some of those key pieces of infrastructure is the right outcome for the State—not just rural and regional areas but the State overall—to take pressure off some of the metropolitan areas.

**The CHAIR:** I have one question, and I note that we're close to time for the break. It's for you, Mr McMahon. I'm interested if you could talk us through what are the different things that are occurring in local councils that involve the private sector involved in the provision of water that might, in a sense, look a bit like privatisation but which it's actually important that local governments maintain the ability to do. I'm talking, for example, about things like outsourcing and things like the temporary use of private companies to provide particular services when there might be staffing shortages and things like that.

The reason I ask that is that, when amendments were proposed to the bill in the lower House that protected Sydney Water and Hunter Water, as I understand it, there was concern that there might be unintended consequences of simply banning privatisation in relation to this range of utilities. Part of our task is to look at how we might do that without bringing in these unintended consequences. So I'm interested in what aspects of private sector operation you think are actually important to preserve, even if there is a legislative ban on privatisation.

**ANTHONY McMAHON:** In my opinion, at the moment local government has got a relatively high level of flexibility in how it utilises its financial resources to deliver the service needs of its community. That's a bit of a broad statement to make. What I mean by that is we currently often choose between using in-house resources or labour—local council-employed labour—or contracting out depending on where the best value for money for the constituents is. Local councils are essentially made up of representatives elected by the community. They appoint a general manager and then it's up to the general manager to figure out how to resource, in the most efficient way possible, the services the community needs.

Sometimes we do that by engaging external contractors or consultants to provide services. Sometimes it's through shared service arrangements with adjoining councils, and that is something that's very widespread in rural and regional areas of the State at the moment, particularly in terms of water and sewer provision. If protections do come in to retain control and management of local water utilities within councils, they should not be that constrictive that they prevent flexibility in how we actually go about delivering the services. In other words, we should not be excluded from using contractors if that is the most effective way to provide the service, but decisions around the service provision still should be made by the local water utility, being the councils.

**The CHAIR:** Thank you, Mr McMahon. If there are no other questions, I thank you both for your evidence. You will be provided with a copy of the transcript of today's proceedings for corrections. The Committee will now take a short break.

**(The witnesses withdrew.)**

**(Short adjournment)**



**Ms JENNY BENNETT**, Executive Officer, Central NSW Joint Organisation, before the Committee via videoconference, affirmed and examined

**The CHAIR:** I reopen the hearing and welcome Ms Jenny Bennett, who is appearing online. Thank you for appearing before the Committee today to give evidence. We appreciate you making yourself available. We note that you may need to leave a few minutes early in order to appear at another committee hearing. Can I confirm that you've been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

**JENNY BENNETT:** Yes, thank you.

**The CHAIR:** Have you got any questions about that information?

**JENNY BENNETT:** No, thank you.

**The CHAIR:** Would you like to make a short opening statement before we move to questions?

**JENNY BENNETT:** The recent Regional Australia Institute newsletter shows that New South Wales is the leading State for people leaving metro to move to regional and that job vacancies in regional Australia are at an all-time high. While we think about the constitutional arrangements for water utilities, we need to think about the likely growth that's going to be happening in regional New South Wales and the importance of ensuring that these people have their water security and water quality enshrined in the constitution. Urban water is broadly either overlooked or undercooked in the legislative, strategic and funding framework from the Murray-Darling Basin Plan down. An essential first step in New South Wales for supporting where urban water needs to be in the frameworks is this constitutional recognition.

**The CHAIR:** Thank you, Ms Bennett. We'll now move to questions from members. Are there any questions for Ms Bennett?

**Dr MICHAEL HOLLAND:** Thank you for attending. There was reference to your alliance of councils in the joint organisation. Could you express how you feel that protects water security and how that would protect against the privatisation of the local water utilities?

**JENNY BENNETT:** The central New South Wales water utilities alliance has won national awards for its work in water security. However, that work needs to be recognised by the State bureaucracy for it to be able to be effected. Pleasingly regional water strategies have actually taken that work that we did back in 2009 and started to recognise it, but it's now 2023. There are many things that we can be doing, as a water utilities alliance, that provide efficiencies and effectiveness in water and sewer operations. However, protecting councils' water utilities from privatisation needs to be legislated. It's particularly important because for so many years this thundercloud of potential changes or privatisations or amalgamations—ever since the Gellatly report, going forward, there's been this cloud hanging over water utilities in regional New South Wales. It would be so good if the great work and the importance of human consumption of water in our urban communities is recognised in the legislative framework.

**Ms STEPH COOKE:** Good morning, Ms Bennett. It's lovely to see you. Thank you for joining us. We've heard from other witnesses before the inquiry today about skills shortages and the need for councils to have people with appropriate skills. Are you hearing from your members that this is a challenge for their organisations? If so, what might be done between local and State governments to address those challenges?

**JENNY BENNETT:** Skills shortages in our region are at an all-time high and council staff are under unprecedented pressure at the moment. Through the Town Water Risk Reduction Program, there has been discussion of improved training. Because of the sorts of work that we have done, our region has got the highest level of trained staff in the provision of water for human consumption. However, it's been a solid headwind. There are insufficient regional training organisations with the right sort of National Water Initiative units on scope.

While there was success in the Town Water Risk Reduction Program in providing training for councillors, we really haven't got to where we need to get to with having quality training for council staff. That's been an issue for a very long time. In fact, my staff member who runs the water utilities alliance, Meredith Macpherson—her very first meeting was with an industry ITAB on the provision of quality training for council staff. I am going to say that would have been about 14 years ago. I don't think we're much further forward and, in some areas, I think we're backwards. The training sector is fragmented, especially VET. We actually have to provide extraordinary support, and we've got a training officer, as part of our organisation, that provides the sorts of brokerage and support required to get people trained. It can be extraordinarily difficult, and it really shouldn't have to be as hard as it is. While ever it is as difficult as it is, other regions and councils in them will not get their staff trained. That's a real problem that we're having.

**Ms STEPH COOKE:** My next question relates to the Town Water Risk Reduction Program that you just touched on. We have heard from others before the inquiry here today of the benefits of that program and heard advocacy for it to continue and perhaps be expanded or invested in further. What is your experience with that program, either as the joint organisation or on behalf of some of your member councils?

**JENNY BENNETT:** Our region was fielded—one of our mayors, Councillor Bill West, who you would be familiar with, and a number of staff to support the Town Water Risk Reduction Program. It only ran for a couple of years—two, I think—and it tried to get a lot of good things off the ground. However, it didn't have enough time to really do much more than what I would describe as foundational work. I'm not sure whether any of the members of the Committee have read the Auditor-General's report from 2020; it's one of the most scathing reports I have ever read. The extent to which there has been enduring change is the challenge. I think it's questionable and, at the moment, the Town Water Risk Reduction Program has been folded back into the broader program at DPE. Rather than being separate and potentially looking in from the outside, they're now back inside, if that makes sense. I am concerned that, especially when their quality assurance is such a light touch—the quality assurance on whether they're getting where they need to is a very light touch. And I think that, seriously, we do need significant investment in that program to really achieve what it needs to achieve.

We've got some real concerns in our region of the regulatory and assurance framework. As it's been rolled out, at the moment, is not all that helpful, and when you have the performance monitoring—they talk about it being rationalised, but the rationalisation involves a significant increase in the amount of reporting that needs to happen. I'm not quite sure what one's definition of rationalisation is. I would hope it would be less is more, but at the moment it's very onerous, and the extent to which the reporting that's happening is really meritorious—when what we could be investing in is actually understanding how to reduce the amount of water being consumed and being as efficient and effective as we can. The Government is investing well in those areas at the moment, but we need to be able to measure it. If you can't measure these things and be able to report on that sort of real data, then the State will never know how well we're going in terms of demand management leading into the next likely drought.

**Ms STEPH COOKE:** I have one final question. With respect to the Town Water Risk Reduction Program being folded back into DPE, do you see that as a retrograde step for local government and local water utilities, and, if so, have you been provided with the rationale for that decision? What are the benefits of folding it into that broader DPE, and what do you now see as the risks of that?

**JENNY BENNETT:** So being folded back into DPE has—I'm sorry. I have frozen. Hang on.

**The CHAIR:** We can still hear you, Ms Bennett, but we cannot see you.

**JENNY BENNETT:** Sorry. I will try and keep an eye on that. I understand that the thinking of the bureaucrats at the time was that it was time for the Town Water Risk—I think they made a budget bid, but it only got so far, and the idea was that the best way forward was to fold it back into the broader program. I don't know all the thinking that was behind that, I apologise. Someone may have told me, but it certainly isn't in front of me at the moment.

**Mrs HELEN DALTON:** How do we address the barriers faced by smaller local government areas in the user-pays model, given that the higher water charges required to cover operational costs are obviously exorbitant for those in smaller areas?

**JENNY BENNETT:** That's a very good question, and I think it's part of the broader issue, which is that urban water and the importance and the primacy of human consumption of water is not well-enough recognised in any of the frameworks, and the smaller the water utility and the smaller the community the more impactful it is. We don't have a community service obligation for the provision of water in New South Wales. We just don't have one. It's up to each water utility, with varying levels of support, which ebbs and flows from State and Federal governments, to try and provide quality secure water. It's a very difficult environment, and I seriously do not envy the smaller utilities which just can't get there. And this 75/25 rule—it's failing. It's actually failing. We certainly don't support it in our region, and we would like to think that the whole system—as one of our mayors calls it—needs an overhaul, if we are going to be serious about the primacy of human consumption of water.

**Mrs HELEN DALTON:** In future should water treatment plants have the ability to screen out blue-green algae?

**JENNY BENNETT:** Well, of course. It goes without saying. There should be the best quality that's affordable and sensible—water being provided to our people.

**Mrs HELEN DALTON:** Do you know of any rural local government areas that have the ability to screen out blue-green algae now?

**JENNY BENNETT:** I'm not particularly familiar with the blue-green algae issue. I could take that question on notice if that's all right.

**The CHAIR:** Certainly. I have a couple of questions, Ms Bennett. One of the concerns of the inquiry is to look at how a legislative prohibition on privatisation would be worded and what it would look like. In your view, are there aspects of water operations that currently involve the private sector that would need to be preserved if there was to be a ban on privatisation, for example, the ad hoc use of contractors bringing in private staff or operations to do service provision and things of that nature?

**JENNY BENNETT:** I was quite curious about what the thinking was around the unintended consequences. I've been having a think about what they might be, and I haven't been able to identify any at this stage. In terms of the way a council would work with the private sector, it would be as we ordinarily do. We bring contractors in as required under the varying Acts. We have procurement legislation and regulation. I can't see a problem, but that doesn't mean that there isn't one. I'm hoping that someone out there is doing all that due diligence, but we've had a conversation [inaudible] and we are unable to identify any potential issues there.

**The CHAIR:** In an ideal world, what would regional collaboration look like in New South Wales in the provision of water?

**JENNY BENNETT:** The Water Utilities Alliance model is very good. The challenges for quality, secure water in regional New South Wales is that we will need a network of infrastructure that's owned by different entities, but the Central NSW Joint Organisation's view is that you can use instruments rather than ownership to manage who owns what and now it needs to be shared. We're very keen to do some work—supported potentially by the State Government—around what those instruments are and how they might operate, but you will know that in our region we've got Central Tablelands Water that provides water for varying areas of the subregional strategy going on between Central Tablelands Water, Cabonne and Orange at the moment. There is the new Wywandly fish river strategy happening around Lithgow. That has currently got some potential for where the water currently being licensed to energy producers could be used for human consumption. There are lots of conversations that can be supported in region by how we can use these instruments, rather than ownership, to better collaborate and share water.

**Ms CATE FAEHRMANN:** Ms Bennett, I just wanted to explore something a bit further with you that you've got in your submission. Quite a few of the witnesses and councils in their submission talk about this whole frustration around strategic planning and the interaction or integration between State, Federal and local levels, which the JO has mentioned in the submission. But you give an example—you basically say that that's the main point. It's about how water is managed strategically between those levels of government. There is an example of the formation of strategic regional water committees. I was just wondering if you could expand on this point a little bit for the Committee, and what you see as the solution, which is potentially one of those more regional approaches.

**JENNY BENNETT:** We call this the missing piece. You might recall in the last drought that the Cross-Border Commissioner was given the role of providing coordination during drought of the varying State agencies to fast-track solutions for water supply across regional New South Wales. He actually pulled together some terms of reference, which would be perfect for the missing piece—for an enduring collaboration with whichever agencies should be there, to roll out the regional water strategies. You will see that the regional water strategies have implementation plans. Then in times of drought, it can switch over and provide that sort of support that is required. There is so much good work that can be done regionally, but nobody talks to each other. To be able to get the pipeline into Goulburn, they had to put one of these cross-agency committees together, because by the time whatever it is goes to Fisheries, then it goes back to whoever, it just takes years to get this sort of work done.

But this committee could be a clearing house of an enormous amount of work. They are looking at doing one of these in the Lachlan at the moment. We had to fight very hard to have urban water included in the Lachlan Regional Water Strategy. They had to do a backfill to have Bathurst and Orange included in the regional water strategy for their communities. That's the Macquarie-Castlereagh Regional Water Strategy. We really do need to have a seat at the table with the requisite agencies at the State and Federal level. Bring the Murray-Darling Basin Plan folk along as well, have honest conversations about what the regional water sharing plans are going to be like. To have open dialogue would be a fantastic outcome. We are very hopeful that the one in the Lachlan will work and that model will roll out broadly.

**Ms CATE FAEHRMANN:** I have just a quick follow-up. With this lack of coordination that we are hearing so much about, has it worked better historically at any point? It sounds like it's getting worse, and it seems to be. We can still probably hear you, Jenny, but you look like you have frozen again. Is there anything you can

point to in terms of models that worked better historically, or not really? Not that we want to go backwards in things. I'm not somebody who wants to go back in time usually.

**JENNY BENNETT:** I actually think things are improving very slowly, but the "very" is in capital letters. Droughts don't wait for anyone. Water security is a huge problem. I genuinely believe that a number of the bureaucracies that we work with do not understand the imperative of providing water to human beings. There just seems to be a real—they are so slow. They just have to move a lot faster and really give some thought to the mayors and councillors and directors and local water utilities who have sleepless nights in our region when they contemplate day-zero scenarios.

We are still unable to get the changes required for water security for Orange and Bathurst. We haven't got there yet. It's very distressing, and it is because of the slow-moving bureaucracies. It is quite extraordinary. We are hoping that if you can put 10 people in a room with a pair of eyes—as one of our general managers says—and a throat to choke, if you can look at those people in the eyes every six weeks or four weeks or whatever it is and say, "How much progress have you made towards ensuring water security for these communities?" and they have to provide an answer, that would be a wonderful thing.

**The Hon. WES FANG:** Thank you, Ms Bennett, for appearing today. I just wanted to ask you for your views in relation to the exclusion of rural, regional and remote community water infrastructure utilities. They were not supported to have their recognition in the constitution, as metropolitan areas had with their water utilities. Do you believe that that may lead to the view that those communities are treated like second-class citizens by the Labor Government?

**JENNY BENNETT:** My understanding was that the thinking at the time, and the reason for this Committee, is that there are concerns around unintended consequences. While we have not been able to identify any, that doesn't mean that they don't exist. I'm assuming that the good work you good folk are doing will identify any unintended consequences and craft the legislation in such a way that it does ensure that our regional communities have the same primacy as our metropolitan cousins. I will share one story with you.

**The Hon. WES FANG:** Sure.

**JENNY BENNETT:** Every regional strategy and the business case for Wyangala Dam makes the assumption that no community will run out of water. They make that assumption. Therefore, none of them in their cost-benefit analyses look at the benefit of not having to close industries in the community. That number never goes in. If they put that number into those cost-benefit analyses, the likelihood of funding water infrastructure projects would go through the ceiling. So it's very concerning that the work that is being done strategically is overlooking this really important issue. Now, they made that assumption because that was the assumption that was made for Sydney. So they are treating us the same, in a way, but that is not our experience obviously, when we are on day-zero scenarios out here.

**The Hon. WES FANG:** I was just going to say that they're not treating us the same. Yes, you are right, in that they have made the same assumptions as they have made in the metropolitan areas, but they are not treating us the same because they refuse to offer us the same protection. We heard some evidence earlier today—and I am paraphrasing now—that if the bill was good enough for the metropolitan areas, the Sydney and outer Sydney water utilities, to be recognised in the constitution, and that they were not concerned about any unintended consequences in that respect, then it is unlikely that there would have been unintended consequences should the same recognition have passed down to the rural, regional and remote water utilities.

Doesn't that perhaps provide some clarity around, one, that anything that did come up potentially could have been resolved, given that the largest of the water utilities, being Sydney Water, would have potentially had a greater, more drastic impact on it should there have been unintended consequences; but, two, that the refusal to provide rural, regional and remote communities with the same protections that they were offering to the metropolitan areas just indicated the city-centric view of the Labor Government at the time, given that that was the most important thing that they wanted to do by bringing it in as the first bill in their Parliament?

**JENNY BENNETT:** My understanding is that this inquiry is going to—whenever I've heard the Minister speak, she just wanted to go through a process and then that constitutional recognition would happen. That's certainly my understanding of what this process is all about. I'm very hopeful, and I would really encourage the Government to recognise our local water utilities and treat that—but, see, that's just the first step. There's so much more work that needs to be done to recognise the primacy of urban water in our regional communities.

**The Hon. WES FANG:** My concern is that as we move closer and closer into drought-like conditions into the future—and nothing really happens quickly in this Parliament. Without an inquiry of a similar nature to provide for the analysis of unintended consequences for a utility like Sydney Water, the Minister was well prepared to put a bill before the Parliament and enshrine it in the constitution yet wasn't prepared to provide those

of us—I live in Wagga. My good friend Steph Cooke lives in Young, in Cootamundra. My good friend the member for Murray lives in her electorate. None of our communities were offered the same protection that was afforded to the metropolitan areas, because that was the Labor focus.

**The CHAIR:** I'm just going to interrupt you, Mr Fang. I know that no point of order has been taken, but I'm not sure that—

**The Hon. WES FANG:** I'm getting to a question. I'm just setting out the parameters.

**The CHAIR:** I'm not sure that trying to inveigle a public servant in a political question like that is going to assist us.

**The Hon. WES FANG:** I'm sure it will assist.

**The CHAIR:** I'm not stopping you, Mr Fang, but it's just—

**The Hon. WES FANG:** I'm just attempting to tease out the difference in the treatment of rural, regional and remote communities by the Labor Party versus those of us on the crossbench and in opposition that wanted to see our utilities protected, and just see if there was any view.

**Dr MICHAEL HOLLAND:** Point of order: I think we're here to hear from the witness, not from other Committee members. It was a rather long preamble.

**The CHAIR:** Yes. I'm not going to allow that question.

**The Hon. WES FANG:** I'll call it the Donnelly preamble, shall I?

**The CHAIR:** I'm not going to allow that question. I know that it's similar to others that have been asked—

**The Hon. WES FANG:** So you're covering up as well as not protecting other assets?

**The CHAIR:** I think we've got the tone of your questions. Have you got any other questions, Mr Fang?

**The Hon. WES FANG:** No, unless you're going to commit now to protecting the water assets. That's what you should be doing, Chair.

**The CHAIR:** I'll take that as no other questions.

**Ms STEPH COOKE:** Ms Bennett, I have a question with respect to the Safe and Secure Water Program. In your experience, has this been a worthwhile program delivering benefits for local water utilities? Do does your organisation believe that further investment in that fund is required? Whatever the answer to that may be, if it were to be yes, how do you believe it could be improved, particularly to help small rural councils with their infrastructure backlog or with their ability to expand into the future?

**JENNY BENNETT:** I'll have to answer this quite quickly because I am due at another inquiry shortly. The answer is, yes, of course it needs more money. But it's not just about money. At the moment I've got two significant councils, Orange and Bathurst, who have the funds to do the work but can't get through the bureaucracy to get the work done. That's very important. And the other thing is that Safe and Secure could sit down and have a look at leveraging the work that it's doing regionally. We have put a proposition, as a joint organisation, about how to efficiently and effectively do the sorts of strategies they would like to see in a regional footprint. We would like to be able to do more of that. For example, if every council has to do a hydrological study in its day—if you bought 11 hydrological studies at once, we found up to 30 per cent cost savings. But then you also get a regional piece of work that talks about what you could leverage programmatically from that council-by-council work. So the answer is, yes, we need more money. Yes, we can spend it for you much more efficiently and effectively than is happening at the moment.

**The CHAIR:** If there are no other questions—

**The Hon. WES FANG:** I do, but anyway.

**The CHAIR:** Thank you, Ms Bennett, for appearing before the Committee. You'll be provided with a copy of the transcript of today's proceedings for corrections, and I think you did take one question on notice.

**JENNY BENNETT:** Yes.

**The CHAIR:** Anything you choose to provide us, please provide it by 12 January. Committee staff will now organise for the next witness. Thank you, Ms Bennett.

**(The witness withdrew.)**

**Councillor SHARON CADWALLADER**, Chair, Northern Rivers Joint Organisation, before the Committee via videoconference, sworn and examined

**Mr JOHN TRUMAN**, Director of Civil Services, Ballina Shire Council, before the Committee via videoconference, sworn and examined

**The CHAIR:** I welcome our next witnesses. Can you please confirm that you've been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

**SHARON CADWALLADER:** Yes, I have.

**The CHAIR:** Good. Do you and/or Mr Truman have any questions about that information?

**SHARON CADWALLADER:** No.

**The CHAIR:** Starting with you, Ms Mayor, would you like to make a short opening statement before questioning begins?

**SHARON CADWALLADER:** Certainly. I'm representing the Northern Rivers Joint Organisation, and that consists of the seven councils in the Northern Rivers region. The Northern Rivers Joint Organisation is opposed to the privatisation of local water utilities and is supportive of their continued public ownership. The delivery of essential water supply and sewerage services required to sustain life, people's health, community wellbeing and the environment is best placed under the direct control of government. Local water utilities are non-profit service organisations with the primary objective of providing agreed levels of service at lowest cost to the community. The objective of the private sector is to make a return on investment or profit by providing services at a minimum cost to business, not the lowest cost to the community.

Local water utilities undertake planning and operation of water infrastructure as part of integrated planning—the integrated water cycle management—which goes beyond water supply and sewerage services. Privatisation of local water utilities would frustrate such integrated planning. Local government water utilities are best placed to ensure an integrated and locally appropriate approach to managing and delivering these services within an integrated water cycle management strategy that results in optimal outcomes for their communities. Local water utilities and their communities deserve the same level of statutory protection from privatisation as has recently been provided to Sydney Water and Hunter Water. A review is needed to streamline and coordinate the complex and onerous regulatory and governance framework that local water utilities currently operate under.

Privatisation of local water utilities, where a consumer does not have a choice of who provides them with water or sewerage services, provides unfettered power to the asset owner as there is no competitive market from which the consumer can choose a supplier and gain the benefits of a competitive market. Privatisation is not the answer to underinvestment in essential water and sewerage services and infrastructure. Rather, the solution lies in increased government funding for local water utilities based on regional needs. Recent events, such as the flooding on the far North Coast and failure of water infrastructure in the UK and the USA, have shown that privatisation does not make government immune from funding the private sector in the event of poor performance of the private sector or emergency incidents.

To put that into context with Northern Rivers Joint Organisation, all seven Northern Rivers Joint Organisation member councils operate local water utilities, providing water supply and sewerage services to their rural and regional communities—well over 300,000 people spread across an area of more than 20,000 square kilometres. Northern Rivers Joint Organisation associate member Rous County Council is also a local water utility, providing bulk water supply to four Northern Rivers Joint Organisation member councils and water directly to about 2,000 retail customers. Delivery of these essential services and related infrastructure is core business for the Northern Rivers Joint Organisation member councils and a major part of their operations.

The local water utility model benefits ensure an integrated and locally appropriate approach to managing and delivering water supply and sewerage services, resulting in optimal whole-of-community outcomes. The local water utility model is responsive to the great diversity of geographical and socio-economic conditions across regional and rural New South Wales. This model provides greater efficiency of operation due to economies of scope and scale achieved with the local government environment. The integration of water supply and sewerage functions with other general purpose functions allows councils to capture economies of scope and scale, for example technical and managerial synergies arising from the integration of engineering, asset management and corporate planning systems for water supply and sewerage, roads and transport, communication, waste management and, of course, recreational services.

The model is directly accountable to the communities that the council operating the local water utility represents. It consistently provides better value and more reliable services—because they operate for the public good—to serve the community. Every dollar recovered from the community by local water utilities to pay for delivery of essential water supply and sewerage services and infrastructure is reinvested back into maintaining and continually improving these utility networks for the community. It is subject to a comprehensive regime of water management, public health, safety, environment protection, economic and other regulation, with a stringent performance-measurement framework overseen by the State. That is, despite viability of location, communities can depend on receiving adequate water supply and sewerage services.

Potential privatisation impacts are likely to result in poorer services, less reliability and quality, and higher prices, especially where communities are scattered over vast areas. Pursuit of profits provides a strong incentive to cut corners, raise prices and reduce investment. The removal of water supply and sewerage functions from councils would have significant impacts on their financial sustainability, as well as on local and regional economies and employment, and the removal of councils' ability to undertake integrated water cycle management.

For protection against privatisation, local water utilities and their communities deserve the same level of statutory protection from privatisation as was recently provided to Sydney Water and Hunter Water. It is critical for the resilience of rural and regional communities that ownership and control over utilities such as water and sewerage remains firmly in the public's hands through their local governments. Appropriate legislation must be passed that protects council-operated local water utilities against privatisation. Any legislative change must be done in a true co-designed manner with the local government and local water utilities sector to ensure a fit-for-purpose outcome, including to ensure there are no unintended consequences related to private sector outsourcing by local water utilities.

A review of local water utilities governance and regulation would show that the current regulatory and governance frameworks that local water utilities operate under are very complex and onerous. These frameworks do not support local water utilities to address their many challenges and operational risks. Rather, they contribute to them by adding layers of oversight and reporting that stretch already constrained resourcing. Through the Town Water Risk Reduction Program, local water utilities have sought a less paternalistic approach that meets their needs in managing their operations, avoids duplication and onerous reporting, and meets the State's regulatory requirements. A review is needed to streamline and coordinate the current strategic regulatory framework that local water utilities operate under.

Other matters include underinvestment, lack of funding and IPART determination of pricing. The WIC schemes in the Sydney Water operating area considered the issue of the private sector picking the eyes out of the serviced areas—that is, where the costs of servicing are lowest, and servicing those areas only. What this will do is distort the market within a local water utility area, making the remaining services provided by council cost-prohibitive. The private sector already has the opportunity, through the WIC Act, to construct and operate private water supply and sewerage schemes, but rarely takes this opportunity. The private sector will only enter the water industry if assets are sold well below real value, as occurred in the power generation industry and the water industry in the UK, and the community subsequently incurs a loss and/or lower levels of service.

Operating, maintaining, renewing and upgrading water supply and sewerage infrastructure and services is increasingly costly and challenging. Ageing infrastructure, population growth, climate change and a lack of skilled staff are just some of the main challenges exacerbating these costs. There has been, and remains, significant underinvestment in these essential services and infrastructure. Underinvestment is largely a condition of a community's ability to pay for water and sewerage services. Privatisation is not the solution to address such underinvestment. The solution lies in the need for increased government funding for essential community services.

For example, the Safe and Secure Water Program needs a major and immediate injection of significant funding. The current rate of funding is about \$124 million per annum, which exactly mirrors the situation some 20 years ago. Indexed for inflation, program funding should now be in excess of \$250 million per annum. The current arrangement of ad hoc grant funding makes it difficult for local government local water utilities to plan for infrastructure upgrades with any certainty and properly resource their delivery. A more structured government funding model for water and sewerage services is needed to better support local water utilities.

**The CHAIR:** Does Mr Truman also have an opening statement? If not, we'll turn to questions.

**JOHN TRUMAN:** I'm happy to defer. I'm here mainly to assist Councillor Cadwallader with any technical questions if she needs. I'm happy to pass on the opening statement.

**Mrs HELEN DALTON:** Thank you so much for your opening statement and your submission. I guess I will cut to the chase, because we're getting quite a lot—we've heard from others, and now from yourself today,

about the onerous bureaucracy that you're experiencing and also the lack of intergovernment agency collaboration. How do you think these issues can be resolved?

**SHARON CADWALLADER:** I will hand that over to Mr Truman.

**JOHN TRUMAN:** Thank you. From my experience, typically when you're thinking of issues like public health and different government policies—for example, the provision of recycled water services—there are issues around getting a whole-of-government approach to the sorts of policies you need to make decisions. For example, we may have a water agency supporting a project or proposal to use recycled water, but it is opposed by another arm of government on a public health ground. That's an example of the sort of inconsistency that you can come up against in terms of the local water utility attempting to deliver an outcome. That's obviously very difficult, particularly if a community has already determined a direction that it is looking to for a water solution. My point there, too, is that it is not necessarily just open for the council to then, for example, maybe get development consent; it also needs a sort of regulatory consent as well. That becomes particularly challenging without a clear framework and a single purpose towards local water utilities.

To the point around bureaucracy, there are significant reporting requirements. I would say that's understood and expected because, for the communities, there are significant risks around public health and the essential supply of services that water and wastewater is. Accordingly, the notion that regulation is needed is not questioned. I think the issue, though, becomes that over time the levels of bureaucracy, just as it happens, have continued to be accrued. I think the point of the submission is to say that really does need to be paused and have an examination of whether it's contemporary—and we would suggest it isn't—and have a proper conversation around how those can be changed and improved going forward.

**Mrs HELEN DALTON:** With the current workforce shortage that we're experiencing and also over-regulation, I would think, and the onerous task of compliance and levels of bureaucracy, do you think that we need a further inquiry into streamlining bureaucracy and working out how we can get good-quality water and sewage treatment works to rural and regional areas in a timely and efficient manner?

**JOHN TRUMAN:** I think you would find that performance of the water utilities, in terms of the quality of supply, meets best practice standards in nearly all cases. The review that I would be talking about would be, again, what is a regulatory framework, and that would be different from State to State. So, yes, I guess the first point is an inquiry may be an appropriate way to do that to understand all of those issues, because they would need to be mapped out and compared, jurisdiction to jurisdiction. To your point around workforce, certainly, like everybody—professionals—they want to work in a productive space. The more they can be seen and be engaged around the delivery of the service, as opposed to the administration, within reason, then that helps us retain our good people.

**Dr MICHAEL HOLLAND:** Thank you, Councillor, for attending today and for your excellent presentation to summarise everything at the beginning. I want to start with the principle of the Committee's inquiry into prevention of privatisation. What do you see would be the drivers towards the loss of assets and services to privatisation?

**JOHN TRUMAN:** I think the key issue for councils, setting aside community choice and other elements of Councillor Cadwallader's submission, is that, typically—and my experience is New South Wales based, but I think it would probably translate—within a local government organisation in the regional areas, 35 per cent and maybe even 40 per cent, but certainly more than 30 per cent, of the overall financial turnover of the council would be related to its water utility business point of view. What that means is that if that business, if you like, was taken away—and, again, emphasising setting aside the community element of that, but just from a purely business point of view—that then brings into question the whole sustainability of the local government organisation.

If you take out essentially one-third of your operating activities, then the cost of leadership, human resources, finance, IT, fleet management and all those things that are managed corporately that are, in part, supported by the activities of the local water utility, you've suddenly then got unsustainability in councils, which is already an issue to begin with, particularly those with really significant road networks. I don't need to prosecute that case any further. But the point there is that people need to really understand that if they're looking for a financial position that would change, there is an incredible risk associated with it.

The second issue that I think was highlighted in a submission is not to underestimate the capacity or the importance of integrated planning. For example, we're coming from the far North Coast—a high-growth area of the State—so the integrated urban planning outcomes that we're able to achieve by being a planning authority as well as a water utility all under one roof, all under one governance and all under one elected council is absolutely significant.



For example, we were the first council in regional Australia to introduce recycled water as a supply to residential properties. I have no doubt that was a strong driver for the community to achieve that outcome because it was seen as a reuse option but it also was seen as an option to stop the further discharge of treated wastewater to the marine environment. You wouldn't do that activity purely based on an economic return basis; it's more about the sustainability. It's also more about how we linked our urban planning together. If the water utility service was segregated away from the council, then that sort of option, delivered as a community preference and also as an environmental and long-term solution as well as a water solution—I couldn't see how that would occur.

**Dr MICHAEL HOLLAND:** I think it's the first organisation that we've heard from that is on a border. Are there any cross-border issues that would be related to this inquiry?

**JOHN TRUMAN:** There can be. I have seen over time where—particularly because catchments, of course, don't necessarily follow State borders—there do need to be arrangements, particularly when councils are looking at connection of water supply. That can be a source of challenge, and the notion of a State border can make that more significant. I have seen examples of that where—there would be other political and technical challenges as well but, obviously, it would be increased because of the notion of a catchment crossing a border. And it does happen, of course.

**The CHAIR:** I think this question is for Mr Truman. Are you able to give us a sense, in the water utilities within your area, of what percentage of the staffing and the servicing would currently be outsourced in some form or another?

**JOHN TRUMAN:** For Ballina council—and I think this would be typical of most in our region and, if not, in regional New South Wales—the majority of our works, in terms of operational works, in terms of day-to-day maintenance of pumps and treatment plant systems and the like, would be done internally. The main reason for that is obviously we're operating specialist equipment and we prefer to retain staffing capacity for that. We do outsource a lot of renewal and capital works. That would be more typical. For example, mains replacement, treatment plant upgrades and the like would typically be outsourced competitively. Some of our operations are suitable for and undertaken as maintenance contracts, but probably more typically the day-to-day operations are delivered by internal staff.

**The Hon. WES FANG:** Mayor, thank you very much for appearing today. We really value the insights and opinions that you bring. I noticed in your opening statement you spoke about the benefit that the Cross-Border Commissioner played particularly during the time that there were some concerns around water supplies and the like. Did you find that the Cross-Border Commissioner and his office were a valuable resource when there were risks around water supply and some concerns around the management of water?

**SHARON CADWALLADER:** Mr Truman would have a better idea around that than I would, so, again, over to Mr Truman.

**JOHN TRUMAN:** Thanks, Madam Mayor. From my experience, during the floods and during the main parts of the COVID pandemic, we were operating here with our regional emergency management committee, which picks up all of the councils from Tweed to further south to the Clarence. There were, as many would understand, really significant cross-border issues managing COVID and the floods. Certainly, the Office of the Cross-Border Commissioner was integral to being a member of our regional emergency management committee, which at various times could be meeting three or four times a day, to be honest, and then, obviously after the peak of events, not as frequently as that. Certainly, that was one agency that was, like a whole range of others, absolutely needed at that point in time. That would be my experience.

**The Hon. WES FANG:** So the Cross-Border Commissioner, James McTavish, and the Cross-Border Assistant Commissioner, Emma Watts, were both of support to you?

**JOHN TRUMAN:** Yes. James was a member of that regional emergency management committee, as I said, and Emma would be support if James wasn't available. As I said, that was opportunity for that committee to—the different agencies would reach out to their own counterparts across the border. Certainly, having that wider view and broader perspective and different contacts from the Cross-Border Commissioner, from my experience, was invaluable.

**The Hon. WES FANG:** We've seen some concerning issues coming out of the Office of the Cross-Border Commissioner and more out of the Office of Regional—we know the Minister has been undermining and leaking reports to the media about the Cross-Border Assistant Commissioner and I think that's it has been a disgraceful—

**The CHAIR:** Order! Mr Fang, I'm not going to allow this sort of political grandstanding. Honestly, it has nothing to do with the subject matter. It's just irrelevant.

**The Hon. WES FANG:** Well, it was in the opening statement.

**The CHAIR:** Please stop. Don't disrespect the witnesses by engaging in that.

**The Hon. WES FANG:** It was in the opening statement—

**The CHAIR:** Please ask questions.

**The Hon. WES FANG:** —and I just wanted to tease out how—

**The CHAIR:** Please ask questions.

**The Hon. WES FANG:** —the assistance has been provided to them on the issue.

**The CHAIR:** Mr Fang, please ask questions.

**The Hon. WES FANG:** I will shift gear seeing as the Chair has ruled those questions out of order. I would be interested to know the views that you might have around the concerns that have been raised around supporting some of the amendments which were put when the bill to protect Sydney Water and the outer metropolitan water utilities was brought to Parliament. The Minister at the time indicated that she wouldn't support my good friend and colleague Steph Cooke's amendments to protect rural, regional and remote water utilities because she was worried about any unintended consequences, yet she wasn't concerned that there were unintended consequences for metropolitan areas. Do you feel as though that leads to the residents of rural, regional and remote New South Wales feeling like they might be second-class citizens? What do you think we can do in the short term to ensure that we are protecting those assets from privatisation?

**JOHN TRUMAN:** I'm not sure what those unintended consequences would be.

**The Hon. WES FANG:** We're not sure either. That's why we're trying to tease it out.

**JOHN TRUMAN:** The point is, as Councillor Cadwallader made in her submission—those points we've touched on around sustainability, from a financial perspective integration into council operations and so forth and, frankly, maintaining the status quo, for something that's not broken but could manage some reform and some help, from our perspective, we'd probably suggest there wouldn't be unintended consequences or if there were, they could be managed. I think the point is why make a difference between those other utilities and the ones in regional New South Wales?

**The Hon. WES FANG:** I can't work it out either. Do you think there's perhaps a Labor plan to try and privatise some of these rural, regional and remote water utilities, given that it was so determined to not have their protections recognised in the constitution in the same way that it did with Sydney Water and the outer metropolitan areas?

**JOHN TRUMAN:** If that's the case, we are not in a position to answer that. Respectfully, that's not—

**SHARON CADWALLADER:** No.

**The Hon. WES FANG:** If that was the plan—if Labor does have a plan to privatise those utilities—can you perhaps speak to the damage it would do to your communities?

**JOHN TRUMAN:** As I said, I think it would make nearly all the councils in regional New South Wales unsustainable—

**SHARON CADWALLADER:** Unsustainable.

**SHARON CADWALLADER:** —from a financial perspective. Even before you took to the question of their interest in managing their water supply and sewerage services, with the need for a democratically elected council to make decisions around service level and outcomes—because it's not like perhaps other services like telecommunications and electricity, where people turn on and off the tap. I don't mean to be disrespectful to those services but I'm just pointing out there's a difference there in terms of the types and levels of service there. Typically, when we've done projects with the community, there have been real, deep conversations around, for example, the trade-off between price and environmental protection and the type of service, so there's never one sort of model that is just rolled out across the State for those different sorts of products and services. The key point here is the decision-maker around that balance is the community, by its local council.

**The Hon. WES FANG:** I think that's why we're so concerned—

**SHARON CADWALLADER:** I would have to just add to that as well. It is one of those things we often see when blanket policies are put in place, like our local environmental plans—they're developed for cities and overlaid into regional and rural areas and it clearly doesn't work.

**The Hon. WES FANG:** I think that's the real concern that we've got. Labor's city-centric approach is being rammed down upon us in so many instances, except for in this instance where we've now seen the members us so they must have some privatisation agenda.

**Dr MICHAEL HOLLAND:** Point of order: Is this a question?

**The CHAIR:** A point of order has been taken, Mr Fang.

**The Hon. WES FANG:** Sorry. I didn't hear you, Chair.

**The CHAIR:** Order! A point of order has been taken. It's polite when points of order are taken that you cease speaking and allow the person taking the point to speak.

**Dr MICHAEL HOLLAND:** We're here to interview the witnesses. We're not here to hear a monologue from the other side there. Is there another question?

**The Hon. WES FANG:** You mean when you turn up to a hearing, unlike you? Sometimes you don't turn up.

**The CHAIR:** Speak through the Chair. Don't say that; it's disrespectful.

**The Hon. WES FANG:** He didn't turn up to the Estimates.

**The CHAIR:** That's inappropriate and I ask that you stop those sorts of reflections.

**The Hon. WES FANG:** I am just simply trying—

**The CHAIR:** I hear you on the point of order. Is that what you're doing? If you're doing that, then please, but if you're not, stop.

**The Hon. WES FANG:** I'm just trying to put some questions. I understand that the sensitivities around them but that's for your caucus. I might pass the questioning to my—

**The CHAIR:** No, I will rule on the point of order. I'm not going to allow the question because it's more in the nature of a statement, but more importantly, it's trying to—

**The Hon. WES FANG:** You won't allow a question about—

**The CHAIR:** It's trying to inveigle Mr Truman in political pointscore, which is not appropriate. The mayor is an elected official. I'd give more leniency in that respect.

**The Hon. WES FANG:** It's interesting that you're blocking a question around Labor privatisation of utilities.

**The Hon. MARK BANASIAK:** Point of order—

**The CHAIR:** There might've been a further point of order taken. Is that right?

**The Hon. MARK BANASIAK:** It's not very respectful that when the Chair is making a ruling on an order—and Mr Fang would know this, having been Chair of committees as well—another member then proceeds to talk over the top. I would suggest that you call him to order, Chair.

**The CHAIR:** I do call Mr Fang to order. It's not helpful. It's also, frankly, not in the spirit of this inquiry. I would invite to you reflect upon the nature of this inquiry, which really doesn't really invite this approach, I would suggest.

**The Hon. WES FANG:** Well—

**The CHAIR:** Don't interrupt me, please. Please proceed with your questions, if you've got any more.

**The Hon. WES FANG:** You've blocked the question.

**The CHAIR:** You don't need to respond. Just please proceed with the questions.

**The Hon. WES FANG:** You have blocked the question around the Labor plan for privatisation so I will pass the questioning now to my colleague.

**The CHAIR:** And I will call to you order, Mr Fang. We've had a number of points of order. They've been upheld.

**The Hon. WES FANG:** Yes, and I have accepted that.

**The CHAIR:** You consistently try to make asides which are in the nature of quarrelling with the Chair. I will call you to order again. If you keep doing it, I will ask you to leave the inquiry.

**The Hon. WES FANG:** It's interesting that you defend this.

**The CHAIR:** You don't need to respond, Mr Fang.

**The Hon. WES FANG:** It's interesting that you defend it.

**The CHAIR:** You don't need to respond, thank you.

**Ms STEPH COOKE:** Thank you, Mr Chair. Good afternoon, mayor and Mr Truman. Thank you for joining us. We heard from the Water Directorate this morning about the need for continued investment in infrastructure to shore up both water security and resilience for rural and regional areas. Based on your experience last year through those unprecedented floods, and noting that you also have water security issues up there and that it goes very quickly from one circumstance to another, I believe that you are uniquely placed, unlike many of our witnesses, to talk to specific examples of the challenges that local water utilities experience in your area and how, into the future, we might make recommendations with respect to building resilience into water infrastructure and supporting local water utilities to do that, whether it be with respect to flood mitigation or water security. Could I hear from you on that?

**SHARON CADWALLADER:** Yes. Thank you very much, Steph. Absolutely. We are in a position where we enjoy high rainfall, generally speaking. But, as we know, the periods of dry times are getting longer and the wet times are also getting longer. So, yes, flood one and flood two that we experienced up here on the Northern Rivers certainly gave us a lot to think about—what we could do in regard to flood mitigation and water security. The local water utility, Rous County Council—that doesn't include the whole seven councils that I'm speaking on behalf of, but they do provide water for constituent councils, being Lismore, Byron Bay, Richmond Valley and Ballina. There is one water source, generally speaking, which is a dam that was built in 1953—Rocky Creek Dam—for 25,000 people. Of course, it's well over 120,000 people now, with the population expanding exponentially, and it's totally inadequate. In fact, we're almost on water restrictions coming up to Christmas, but we got some rainfall, so we're very thankful for that. We've set a benchmark of 70 per cent. When the dam falls to 70 per cent, we'll start water restrictions. So it's totally inadequate at the moment.

We're doing drill sites to try and tap into the Clarence-Moreton Basin to top up the reservoirs so that we do have an ongoing supply. But not every drill site has come up with good-quality water supply. So it's of major concern. We've also looked at desalination. We've looked at all sorts of things, and Rous County Council is currently in negotiations with Ballina council with taking over a supply in Ballina council and a reservoir site at our industrial estate in Ballina. So everything's being done, but what is going to be really critical is the CSIRO study, post floods, to try and let us know what may or may not work as far as mitigation goes, with flooding.

If that can happen, what we're trying to do is get a master plan—a vision for the region also—which will feed into that report that will come through, hopefully, before 2025. I believe that's probably the earliest we'll see that report. If that report tells us we can have water security as well as some flood mitigation, that will be a win-win for everybody. So it's of critical importance to us—where we go—but, certainly, we need investment in water security. Now we are continuing on with our cultural heritage studies and land acquisitions for a dam, which would sit below the Rocky Creek Dam, and that would certainly add some protection to Lismore—flooding as well as the water security, which we really do need. Recycled water is not palatable for our community. We know that and they've clearly said that. So that's not an option for our community, I believe.

**The CHAIR:** I thank both witnesses for your evidence. You will be provided with a copy of the transcript of today's proceedings, if you need to make any corrections. I do not think there are any questions on notice, which is good. The Committee will now break for lunch and return at 1.30 p.m.

**SHARON CADWALLADER:** Thank you, Mr Chairman, for the opportunity to present to the Committee. Thank you to all the Committee members as well.

**(The witnesses withdrew.)**

**(Luncheon adjournment)**

**Mr ROSS EARL**, Executive Officer, Far North West Joint Organisation, before the Committee via videoconference, affirmed and examined

**Councillor BARRY HOLLMAN**, Chair, Far North West Joint Organisation, before the Committee via videoconference, affirmed and examined

**Ms LEONIE BROWN**, General Manager, Bourke Shire Council, before the Committee via videoconference, affirmed and examined

**The CHAIR:** Good afternoon. Thank you for appearing before the Committee to give evidence. I might start by inquiring whether you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

**ROSS EARL:** Yes, we have.

**BARRY HOLLMAN:** Yes.

**The CHAIR:** Do you have any questions about that information?

**ROSS EARL:** Not really, not from me.

**BARRY HOLLMAN:** No, not from me.

**The CHAIR:** Starting with you, Mayor Hollman, would you like to make a short opening statement?

**BARRY HOLLMAN:** No, thank you. I believe Mr Earl will be doing that.

**The CHAIR:** Very good. Mr Earl?

**ROSS EARL:** I am the Executive Officer of the Far North West Joint Organisation. Joining me today, as we know, is the chairman, Councillor Barry Hollman, who is also the mayor of Bourke. Each of the delegates to the JOs are normally the mayors of respective councils. I just thought I'd provide a bit of background information for those who are not familiar with the Far North West Joint Organisation. I'd just like to give very brief detail. The Far North West Joint Organisation was established by the New South Wales Government in 2018 as part of a network of joint organisations across regional New South Wales. The Far North West JO comprises of Bourke, Cobar and Walgett shires. They are the three members and we are the smallest JO in the State. The primary purpose of the joint organisation is to facilitate State and local government collaboration, planning, priority setting and delivery of important projects at a regional scale. The Far North West Joint Organisation has also identified supporting the operation of its member councils aimed at strengthening local government in the region as one of its roles as a joint organisation. Our appearance at today's meeting is consistent with those objectives.

Just to give you a bit of context, the Far North West Joint Organisation is an area of 111,000 square kilometres and has a population of only 12,000 people. That is a very low density. To put the land mass of the Far North West JO in perspective, it carries a footprint of 111,000 kilometres, as I said, which is roughly one and a half times the size of Tasmania, and Bourke shire itself is roughly the same size as Denmark. It gives you a bit of context on some of the issues which we face. Most of the area is subject to very low rainfall, and all the councils have a very strong interest in water matters, both domestic, agricultural, commercial and coupled with, of course, recreational pursuits. In the footprint of the Far North West JO, water is life. Without water, we haven't got life. Without access to affordable water facilities, those in the villages would find it extremely difficult and, potentially, the area would be depopulated in some areas.

It's interesting to note that when we talk about privatisation, we normally talk about profit, return on profit and return on investment. However, the terms we use in relation to regional and remote water supplies are more akin to social responsibility, community obligation and social amenity—and they're probably more appropriate terms for what we do. The landmark decision to enable Sydney and Hunter water boards to have that reassurance they won't be privatised was a good outcome, and it's something we should emulate for the remainder of the 92 water utilities across the State. I say that and the JO believes that. I think you've got a copy of our introduction notes with the 10 points, so I won't go through those, but I am happy to expand on any that you feel.

I think that one of the reasons we are here is that there are very few organisations that have the land mass and the lack of population. One thing which would worry me, and I think it worried all the other JO members—those in regional areas—was if in fact we were to privatise some of the water supplies, obviously the ones that would be in heavily populated areas, your regional cities, would be something that may be looked at by private enterprise. But, certainly, I think that the smaller communities that we serve wouldn't be, and our opportunity then to get the support from those regional centres would disintegrate with that privatisation. We fight against the odds in rural and remote New South Wales, but we call ourselves resilient and self-sufficient. But we certainly need

the support of the State Government to make sure our water supplies are maintained. It's a community obligation, as we see it. As I said, without water we haven't got towns; we've only got villages.

**Dr MICHAEL HOLLAND:** Thanks, Mayor Hollman and Mr Earl, for coming to present evidence. One thing that we haven't heard about today is the effect on First Nations peoples. I wanted to ask about the involvement of First Nations communities in decision-making and strategic planning and—it's probably self-evident—what the effect of privatisation would be on those smaller Indigenous communities.

**ROSS EARL:** I'll take that, Barry?

**BARRY HOLLMAN:** Yes please, Ross.

**ROSS EARL:** I think the whole area of the Far North West Joint Organisation has got something like a 20 per cent, I think it is, or 22 per cent Indigenous population, so it's a significant amount. Throughout the region, there is a thing called the Aboriginal Communities Water and Sewerage Program, where, in fact, the State Government has got some money which they put towards looking after the discrete Aboriginal communities. In Bourke shire we've got two, I think Brewarrina has got three or four and Walgett has got some. In Bourke they're called Clara Hart Village at Enngonia and there is Alice Edwards Village at Bourke itself. Each of those villages gets inputted some finance from the State Government under that particular scheme. Recognising that they are discrete Aboriginal communities, the council itself in most instances puts water to the gate and then it's up to the organisation to distribute it throughout the villages.

As far as the input to Aboriginal or First Nations people to the thing, obviously they are involved in the strategic plans, which council makes up, and I think most councils in the west are very proud of their consultation. They try to involve everybody. But as you would probably appreciate, depending on the timing, sometimes the community consultation possibly doesn't drag out as much information as we'd potentially like. But, certainly, I'd like to think that First Nations persons are certainly considered, and that particular scheme is representative of that concern to ensure that they have the right facilities.

**BARRY HOLLMAN:** Can I just add to that, if I may? We've got Wanaaring, which is 180 kilometres from Bourke, and we would have probably a 20 per cent Aboriginal population out there. If we go to privatisation and have user pays out there, they just wouldn't be able to afford the water. It just wouldn't be viable.

**The Hon. WES FANG:** Mayor, did you have any consultation with the water Minister when she was first elected in relation to protecting the water assets of your area? Did the water Minister seek your views as to the protection from privatisation?

**BARRY HOLLMAN:** Not up until this point, no. She has not.

**The Hon. WES FANG:** When you became aware that the Labor Party had committed to protecting the water assets of metropolitan areas, at the time there was no consultation from the Labor Party and the incoming water Minister that that should perhaps be extended to the water assets in your area?

**BARRY HOLLMAN:** No. We have always felt concerned about that. If we go to privatisation, we are out west—we are a long way from anywhere. It's 25 per cent of our actual income to our council, the water and sewer certainly is. Yes, it's a huge concern to us if we go to privatisation. How are we going to get people, if we have a breakdown out at Wanaaring, which I've already said is 180 kilometres away—if we get privatisation and it comes from a place like Dubbo, where I'm at today, that's six hours away. It's just not viable to go down that track.

**The Hon. WES FANG:** In reality, do you think it was perhaps more important that the incoming Labor Government should have prioritised the protection of rural, regional and remote water utilities over the protection of, say, installations in Sydney like Sydney Water?

**BARRY HOLLMAN:** I've got to say yes to that.

**The Hon. WES FANG:** Yes. That is I think where part of the issue was, because they obviously brought a bill before the House that would extend the protections to Sydney metro areas but then refused to provide a similar protection to rural, regional and remote communities and their water assets. That is of concern to you obviously.

**BARRY HOLLMAN:** It most certainly is, indeed.

**The Hon. WES FANG:** You said you've had some concerns around privatisation. Do you think that perhaps Labor's refusal to actually have that protection extended to rural, regional and remote communities might mean that there is, in some way, some plan to actually privatise in the future?

**BARRY HOLLMAN:** That is a huge concern for us, yes.

**The Hon. WES FANG:** So there is concern that Labor might be looking to privatise regional water assets. In relation to the refusal of the Labor Party to extend the protection to rural, regional and remote water assets, do you think that that indicates that there are two classes in New South Wales in relation to the protection of water assets?

**BARRY HOLLMAN:** I'd like not to think that, yes. I'll leave it at that. I would hope it's not.

**The Hon. WES FANG:** But you could imagine that some of your constituents might feel that there has been a little bit of disappointment in the fact that the Labor Party blocked my good friend and colleague Steph Cooke's amendments that she moved in the lower House to protect those rural, regional and remote water assets in the same way that Labor was seeking to protect the metropolitan assets.

**BARRY HOLLMAN:** Yes. Some of my community are concerned about that, for sure.

**The Hon. WES FANG:** Yes, and those concerns have been ignored, really, haven't they?

**BARRY HOLLMAN:** I would say yes.

**The Hon. WES FANG:** In relation to the provision of water services, obviously you've indicated that distance is a concern in relation to the provision of servicing and the provision of maintenance. Can you provide to the Committee some views as to how much time and effort is required to ensure that the water supply is guaranteed to your constituents?

**ROSS EARL:** I might take that one, Mr Mayor. Bourke Shire Council, as I said, is about 44,000 square kilometres. From Bourke itself out to Enngonia is 100 kilometres; to Wanaaring is 200 kilometres, basically; down to Louth is 100 kilometres; out to Byrock is roughly 80 kilometres; and out to Fords Bridge is 70 kilometres. All of these areas have very small populations but long distances. A lot depends on the time of year. In respect of the township of Byrock, it's one of the first places within the shire to run out of water. It relies purely and simply on rainwater catchment. So when it runs out, the only way it's going to get refilled is by rain or, alternatively, there is emergency water trucked in.

But when you start talking about that tyranny of distance, as the chairman said earlier, to go out to Wanaaring is only a small problem. It is two hours out there and two hours back, and that is from Bourke, and that's before you do anything. What we've found over time is that we have relied on local people out there. In my period out there, we've relied on local people just to give us a bit of a hand. So they try to fix minor things, rather than the council having to go out at great expense. I don't know whether that degree of cooperation from the local community would extend to a privatised organisation, which may have to charge these things out at cost recovery.

**The Hon. WES FANG:** And if Labor were to privatise, that cost to the community would be astronomical, wouldn't it?

**ROSS EARL:** Massive.

**The Hon. WES FANG:** Yes, I understand.

**Ms STEPH COOKE:** Through you, Chair, I'll ask a couple of questions. Thank you both very much for joining us today. My first question is to either of you. I've just had a look at the submission that has come through and it says, "During the last drought, Bourke and Walgett were extremely close to running out of water as the river systems dried up and necessitated the construction of emergency bores being constructed through funding provided by the State Government." I've got a couple of questions in relation to that section of your submission. Number one, can you provide for the Committee a sense of what that time was like for your communities—the level of stress, perhaps, that the community may have been under during that time? Secondly, do you have a view on what recommendations we might be able to make to build resilience so that we can better cope with these situations into the future?

**ROSS EARL:** Back in that period, I was actually the general manager. Leonie Brown, who is with us today, was basically the deputy general manager. We recognise, as a town in New South Wales most likely to run out of water, that it wasn't a great feeling. You look at all the contingency issues. We got to the stage where we had to pump out of the river and make use of, for want of a better term, holes in the river. We were getting to that desperate stage, so we were appreciative of the fact that the State Government then allowed us to spend the money to get a bore system to pump it into town. Having said that, the bore system only allowed for emergency water. It wouldn't meet the normal demands, but it was certainly a bit of a godsend that it happened. The project takes a series of bores. I can't remember the figure. Leonie, who is on board, may remember. I think it's about 40 or 50 kilometres out of town that the water comes from.

**LEONIE BROWN:** It comes from about 25.

**ROSS EARL:** Yes, 25 kilometres out of town, through a series of bores and pumping stations.

**LEONIE BROWN:** I can comment on that. The licensing for those bores is only 100 meg of licence. We were very lucky. The previous State Government provided fantastic funding to implement the three bores that we now have. But we only have a 100-megalitre licence for those bores, which will provide 40 days of water to our town and our industry. Once the river runs dry we can pump the bore water into town, and then we can only have that for 40 days. After that, we can go out and see if we can trade a licence, but it's difficult. So we have issues around that, as well.

**BARRY HOLLMAN:** If I may add to that, I'm 76 years old and we live on the Darling River. To not have it flowing for 430-odd days—the community is just down and out. There's no spring in their step, and that is why the Bourke Shire Council has pressed so hard to get a height put on our weir where we can have more than six months' water supply. Once our weir stops running, we only have six months' water supply. We pressed hard to get that because we believe that if we don't get that we will not get investment to come back to our town. Water creates investment.

**Mrs HELEN DALTON:** Thank you for attending and for your submission. I'm the member for Murray. What do you see as the biggest challenge in delivering good-quality water and sewage treatment works in your area?

**ROSS EARL:** There are two points to that. Firstly is the guaranteed flow of the river, which is important. Assuming that water is there, (a) is to have the infrastructure in place to be able to do it and then have the staff to be able to coordinate it. I think the Bourke Shire Council are pretty fortunate to have good staff to overall operate those water facilities. In some councils, especially in the remote areas, there's a high turnover of staff, and you've got to train the staff up. But, clearly, to have the water in the first instance and to be able to treat it is critical, and to make sure we've got the staff and the facilities to distribute it. I think Bourke, Cobar and Walgett over the last four or five years have been fortunate enough to gain funding to have new water filtration plants put in their respective communities.

**BARRY HOLLMAN:** I think also that keeping the water system local, with local staff to undertake quick response times for maintenance and infrastructure and emergency breakdown, is essential.

**LEONIE BROWN:** The local knowledge is so important with regard to the water that comes through our system. For example, just upstream of Bourke is the Culgoa water system. When water flows into that, the local knowledge is so important as to how we clear the water to come through our water treatment plant with such high turbidity. Those sorts of things have happened over years, and we've now worked through the process of how to do that. It's important that we keep it local.

**Mrs HELEN DALTON:** In the last drought in many isolated rural areas, particularly out along the Darling, bottled water was being delivered by volunteers around the State. Are we better prepared for the next drought, do you think?

**BARRY HOLLMAN:** Definitely not. We lost our opportunity. We need to have more water storages. We're going to go into another drought; there is no doubt about that. We're not prepared. We've done a lot of talk since the last drought, but that's all we've done.

**Mrs HELEN DALTON:** Would you agree that we really do need another inquiry, after this one is completed, into how we can better deliver good-quality water to our regions and be prepared for climate change and the rigours of drought?

**The Hon. WES FANG:** We'd back you on that, Helen.

**ROSS EARL:** It's interesting. Currently the Far North West JO is coordinating a series of drought project plans. We're working to finish them with the seven councils that form the Western Plains Functional Economic Region. That'll start in the very near future, so there are plans afoot to get some planning in place for drought more generally. But certainly the issue of being able to give potable water to people in some of the areas needs to be considered. Some of the towns—when the water got extremely low, it was very difficult to pump it out of the river. In times of drought, a lot of the rainwater catchment was well and truly exhausted.

**Mrs HELEN DALTON:** Water quality is at times really compromised, especially along the Darling, with blue-green algal blooms. I think we've even got a bloom further south from where you are. Are your filtration works able to cope with blue-green algae? Can you screen it out? What do you think the answer is with all of that?

**LEONIE BROWN:** Bourke was very lucky. The previous State Government provided us \$10 million for a new water treatment plant that is functioning very well. The water treatment plant can certainly handle those algal blooms and provide safe drinking water to the residents of Bourke.



**Mrs HELEN DALTON:** We think that there's a perceived link between high motor neurone disease rates and blue-green algal blooms. Is that of concern to you and all the communities along the Darling?

**LEONIE BROWN:** Sorry, you cut out there. I didn't actually get the whole question.

**Mrs HELEN DALTON:** We believe that there is a link between outbreaks of motor neurone disease or where motor neurone disease is located and outbreaks of blue-green algae. There are hotspots around the Darling and in my electorate as well. Is this of concern to you?

**LEONIE BROWN:** Certainly would be; it's the first time I've heard it. But, yes, it certainly would be, if that's the case. But I can't really comment.

**The Hon. MARK BANASIAK:** We heard earlier today that there's probably over \$5 billion worth of work that needs to be done on local water utilities. Obviously, there's been some grant funding in the past. Do you think there needs to be a better way of allocating that money, given that we've essentially accrued a maintenance bill of \$5 billion over the time? Is there a better way of getting this money out to where it's needed?

**ROSS EARL:** Potentially. Obviously, there should be an assessment done on each of the systems to see who's got the greatest need. I would assume that it's different. A lot of the infrastructure we've got, in the case of Bourke, reached the end of its life cycle, depending on the work it does. I think that we need to do a thorough assessment. You said \$5 billion. That's a lot of money, and I'm not quite sure what the annual allocation of the Safe and Secure Water supply was. But I think it was over—the needs far exceeded the available funds. In answer to your question, there certainly needs to be more money put aside to assist local water utilities, ensure that their water reticulation and treatment systems are comparable with the state-of-the-art systems.

**The CHAIR:** There's been concern expressed by a number of earlier witnesses that any prohibition or protection from privatisation should not interfere with councils' capacities to do outsourcing and the like, so I'm interested in the three local government areas that you represent, what sort of outsourcing is existing at the moment, whether staff or service provision in the water space, and what your thoughts are about how best to prohibit privatisation or protect LGAs from it while at the same time allowing outsourcing and so forth where appropriate.

**ROSS EARL:** At this stage, each of the three councils belong to the Orana Water Utilities Alliance, and I suppose they avail themselves of the expertise available in the bigger centres, in particular, the City of Dubbo, who have been a great supporter of the Orana Water Utilities Alliance and, before that, the Lower Macquarie Water Utilities Alliance. Each of the councils, when needed, will buy in the expertise; if they think they haven't got the expertise, they'll buy it in. That can be either on site or, in this day and age, by audiovisual link. Certainly, there's the opportunity to do that. But that would tend to be only when there's a major problem. Most of the problems can be handled on a local basis. But certainly, no-one's averse to making sure they get expert persons to back up their decisions.

**The CHAIR:** There was some earlier evidence to the effect that the best way of protecting water utilities from privatisation is through a model that ensures that ownership stays with council firstly and also that decision-making stays with councils and that, within that framework, you could have things like leases or things of that nature, so long as those two principles were maintained. In light of that evidence, what are your thoughts, Mr Earl, on the best way to protect public water utilities from privatisation?

**ROSS EARL:** As I've said earlier, when you look at privatisation—people only privatise things or people look to privatise, as you do with the motorways in Sydney, when there's a profit to be made by the person undertaking that lease. No-one is about to privatise things where they know it's fraught with danger and a financial risk. As I said earlier, some of the bigger and more populous areas—there's a potential there for the privatisation model, potentially, to lease, maybe, to work. But I think that the councils are well versed in what they want for their own communities and how they want the water infrastructure to expand and where they see things going. It's a kind of an all-encompassing way they do things. Personally, I just don't think—if you go and cherrypick two or three of the more lucrative or potentially lucrative places, it leaves the rest in a worse state than they are now.

**Ms STEPH COOKE:** I have a couple of questions. Firstly, what happened with mining operations during the last drought? Were they impacted? If so, was it due to a lack of water?

**ROSS EARL:** I can only just give you anecdotal evidence. It got to be a worrying stage for Cobar, I think, at the time. I don't think it overly adversely impacted as it was, but I think that there was some—like there was right across the west, as the water supply diminished, any large users were certainly looking at alternatives or how they might alter their work practices. The general manager of Cobar, who also looks after the Cobar Water Board, I'm sure, would be able to get an answer for that. If you'd like, we could get that to you directly, just what impact it had on the mines and what the potential impact would be. Given the fact that Cobar is heavily reliant on the

mining industry for survival, I'm sure that any problems with the water would have a very huge detrimental effect on the economy of the town. But I'll get an answer through for you on that.

**Ms STEPH COOKE:** Thank you, Mr Earl. I would really like that for the Committee. Further to that, if water supplies for a mine came under threat and it was threatening their operations, then the opportunity perhaps to secure water that, say, your council areas currently have—that could be a type of privatisation, could it not, that would detrimentally affect your communities? Am I making sense?

**ROSS EARL:** You're saying that there is potential there for the mines to have precedence over the water for the communities?

**Ms STEPH COOKE:** If we were not to protect local water utilities from privatisation, then there could be an opportunity in the future, perhaps—I guess I'm asking the question—for a mining company of any size to obtain councils' water purchase or have your water privatised and owned by a mining corporation, which they perhaps would use for the benefit of their own operations into the future. Have you ever given any consideration to such a proposition?

**ROSS EARL:** From my point of view, having not worked in a mining town, the answer is I haven't considered it. But I suppose—depends who does privatise the water. One would assume that any privatisation would have to sort some guarantees that the health and wellbeing of the community would be first and other usage would come after that. But again that's something I could run past my colleague from Cobar Shire Council to get a response.

**Ms STEPH COOKE:** Thank you, Mr Earl. My next question, of a different nature, relates to the Town Water Risk Reduction Program. What is your experience with that program? Is it one that you have found beneficial and one that would be worthwhile seeing into the future?

**ROSS EARL:** Are you happy to take that, Mrs Brown?

**LEONIE BROWN:** Yes. Thank you. The Town Water Risk Reduction Program—we're part of that, and I think it's a great program to assist in making sure that we are providing safe water and training that is provided through that to our staff, and we've only got a small part of it, but I can see that in other towns it's probably going to work very well.

**The CHAIR:** I thank all three witnesses for their evidence. You will be provided with a transcript of today's proceedings to make any corrections. There were a few questions taken on notice so the committee staff will email you, and we kindly ask that you return any answers by 12 January. I again thank you for your evidence.

**ROSS EARL:** Thank you, Chairman. From our point of view, from the Far North West Joint Organisation looking after our respective councils, it's great to have the opportunity to put our thoughts forward. We certainly look forward to, I suppose, your recommendations coming out of it.

**(The witnesses withdrew.)**

**Mrs JULIE BRIGGS**, CEO, Riverina Eastern Regional Organisation of Councils, before the Committee via videoconference, sworn and examined

**Councillor RICK FIRMAN**, OAM, Chairman, Riverina Eastern Regional Organisation of Councils, before the Committee via videoconference, sworn and examined

**Mr WARREN SHARPE**, Consultant, Canberra Region Joint Organisation, before the Committee via videoconference, affirmed and examined

**Mr GRAEME MELLOR**, Manager Water Services, Wingecarribee Shire Council, Canberra Region Joint Organisation, before the Committee via videoconference, affirmed and examined

**Mr QUENTIN ADAMS**, Manager Utilities and Waste Business, Snowy Valleys Council, Canberra Region Joint Organisation, before the Committee via videoconference, affirmed and examined

**The CHAIR:** Good afternoon to all witnesses and welcome to the inquiry. I thank you for coming. Can I first inquire whether you've all been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses? Yes, you've all got that. Does anyone have any questions about that information? No—all good. Would anyone like to make a short opening statement before we turn to questions?

**WARREN SHARPE:** For the benefit of the Committee, my previous role was a director of infrastructure at the Eurobodalla Shire Council up until my retirement from that role in October last year. In that role, I was responsible for water and sewer services. Firstly, I pass on the apologies from our CEO, Warwick Bennett. Warwick is tied up in a CRJO board meeting today so he's asked us to speak to the CRJO submission. Secondly, I was asked to assist the water managers across the CRJO to prepare a submission to this Committee. As you've already seen, we've got two water and sewer managers from the CRJO, Quentin and Graeme, with us today.

As you will see in our submission, the CRJO firmly believes that local water utilities should remain in the hands of existing councils and local water utilities should not be privatised. We support legislative change to prevent that privatisation from occurring, however that means is determined by yourselves as the Government. We do ask, any change that might be instigated, to ensure that this is done in a way there are no unintended consequences in terms of the ability to engage private suppliers or providers to assist with the delivery of water and sewer services.

The benefits of retaining water and sewer services have been laid out in our submission, and obviously you will ask us some questions. I just want to make a couple of key points that we would like to highlight about some things that are often unseen in the way this is done and particularly relate to these things. The existing processes that exist in terms of legislative coverage are very strong at the moment under the Local Government Act, particularly in terms of the integrated planning and reporting provisions, with a strong requirement for community engagement around the planning, delivery and pricing of services. There's a lot of community engagement in that process before prices are set.

The level of added commitment in regional areas is obviously very high because you've got local people working for their own community, wanting their family and friends to be delivered with high-quality services that are safe as well. Councils take, obviously, a much longer term view. You would have heard from the Bega example around where they did privatise the delivery of some services that did not go well for them. The councils also have a very non-competitive view about how services are delivered. That means we are able to share information freely. Water managers have got the numbers of their colleagues elsewhere in the region, and they also meet as the CRJO group from time to time. They're able to interface with others and look for ways to improve services and delivery of services across that area.

Probably one of the most unseen things is within the councils themselves. The delivery of services in terms of planning approvals and then getting on with the work in terms of community engagement and then delivery of works on site is very well integrated within the council arrangements. That means you're going in to disturb an area once, so the service is delivered much more efficiently. It's a much better arrangement to put in place than, say, dealing with one of our power supply companies such as Essential Energy, who otherwise do a very good job but they're a separate entity, and therefore it's more difficult. It's the same with the telcos, and those processes take much longer than working internally to deliver works with water and sewer within our own remit.

The water and sewer services obviously give councils a scale of operation that allows us to engage, employ and improve backroom services, whether that's financial, asset management, our workshop services, electrical and human resources et cetera. That means that we have a critical mass that's able to do that much better. We're able to get much better training plans and much better plans for existing staff and development of those young people

and giving them a pathway to a future career. I guess the other thing that we've seen in the past few years with so many natural disasters is just how valuable that critical mass is as well, in terms of responding to those natural disasters. I'll just give you one example to highlight this out of many coming out of our 2019-20 bushfires, where I was also in the local emergency management for Eurobodalla.

In that particular event, we lost power supply for a substantial period of time and were otherwise unable to get fuel for our firefighting efforts and to allow our community to be better serviced during that event. One of the things that I was able to do was take our very well trained water and sewer electrical staff and rewire three service stations within our own townships of Batemans Bay, Moruya and Narooma. That action ultimately led to the mass evacuation of tens thousands of people from this part of the world and it helped provide the firefighting efforts with the fuel they needed to actually do their task. It's just a simple example where the agility to do that was assisted by the skills that we had within our own council operation. So with that, we're obviously open for questions from the Committee and we will do our best to answer your questions.

**RICK FIRMAN:** Thank you, Mr Chair and members of the Committee, for this opportunity. From the outset, we wanted to thank the Chair and the Committee for affording us the opportunity to have this inquiry and appear. It is also a special privilege for us to have input in a genuine way about how we may retain water utilities in local government hands. That is something our board deeply appreciates. Mr Chairman and members of the Committee, the Riverina Eastern Regional Organisation of Councils is an eight-member council organisation covering the eastern Riverina region. We cover the shires of Bland, Coolamon, Cootamundra-Gundagai, Greater Hume, Junee, Lockhart and Temora, and Goldenfields Water County Council. So we're quite a unique council. We used to have Riverina Water County Council as well.

Our region is unique with regard to delivery of potable water services in that the delivery of the service is dominated by two county councils—of course, Goldenfields Water and Riverina Water. The Riverina Water service is part of the Lockhart shire and Greater Hume shire, while Goldenfields Water provides retail water services to Bland, Coolamon, Junee and Temora shires and wholesale water to Cootamundra. Cootamundra-Gundagai provides a reliable retail potable water service to Cootamundra and a full potable service at Gundagai. All of our member councils provide wastewater and stormwater services for our shire communities.

Of course our member councils strongly support the protection of local water utilities from privatisation. Our members do not believe privatisation will provide any genuine benefits to the rural and regional communities that we proudly represent, Mr Chairman, as it's likely to result in poorer service and higher prices, simply because of the low population density coupled with the extensive areas that our shires cover. In addition, our councils maintain that one of our competitive advantages in attracting staff to the engineering areas of our councils is the broad range of work on offer, including work in water, wastewater and stormwater areas. The diversity of work is one of the ways rural and regional councils can attract and retain professional staff. With those words, Mr Chairman, again, we are just so grateful that we are part of this process.

**The Hon. WES FANG:** Thank you very much to all witnesses for appearing today and giving up some time on a Friday afternoon to provide this Committee some very valuable insights into the issue of water privatisation in your areas. In turn, could I ask each of you how much consultation was had between your organisations and the water Minister when she was made the Minister in relation to the privatisation or protection of the water assets in your area? I will start with Mr Firman, if you could provide a response and then I will ask some of the other people as well.

**RICK FIRMAN:** Through you, Mr Chairman, from my recollection, we were made aware of this through the Country Mayors Association of NSW and also, of course, our local member for Cootamundra, Steph Cooke.

**The Hon. WES FANG:** She's a great local member.

**RICK FIRMAN:** That's true. We are covered by several very fine State members of Parliament and upper House members. The country mayors, we were advised through that area. I've got to say that Minister Jackson and our chairman of the country mayors, Mayor Jamie Chaffey, have been working together closely in terms of seeking the views of the CMA executive about the terms of reference. That is a gesture that means a great deal to us. Not that we got everything over the line, but I think that showed, from our perspective, a sign of respect, that they wanted local government to be a genuine part of this process.

**The Hon. WES FANG:** I'm talking about the period prior to the original bill to enshrine Sydney Water and the metropolitan water assets into the constitution for protection. Can anybody else indicate whether the water Minister at the time spoke to their organisations about providing that protection to their rural, regional and remote New South Wales assets as well?

**WARREN SHARPE:** Thank you for the question. I can't really comment on that. That would really have to be the question of the CEO of the CRJO. I'm sorry.

**The Hon. WES FANG:** That's all right. Could I get an indication from anybody if they were aware that the Minister had had conversations with them around the protection of water assets in their area?

**RICK FIRMAN:** Not that I'm aware of, Mr Chairman.

**JULIE BRIGGS:** The same here.

**The Hon. WES FANG:** In that respect, then, the Labor Party brought before the two Houses and the Parliament a bill to protect metropolitan water assets. Mayor Firman, you've indicated that the Country Mayors Association had a definite view around the protection of rural, regional and remote New South Wales water assets, and that view wasn't reflected in the bill that the Labor Party brought to the Parliament. Is that a fair assumption?

**RICK FIRMAN:** Well, it certainly wasn't reflected in the bill that was presented to Parliament. That's my understanding. However, again, the CMA were grateful that, after some in-depth discussions, the Minister did consult with us in relation to the terms of reference.

**The Hon. WES FANG:** That was probably more a reflection of the advocacy of the local member, Steph Cooke, and perhaps some of the other rural and regional members to have their water assets protected in the same way that the Labor Party had sought to protect metropolitan assets. Would that be a fair view for me to put forward?

**RICK FIRMAN:** I think that is a very fair assessment.

**The Hon. WES FANG:** So the Minister was aware at the time, then, that the Country Mayors Association, Mayor Chaffey, you and a lot of the other organisations that have membership of the Country Mayors Association—indeed, in fact, the Minister read onto the record some of the text messages from Mayor Chaffey while she was debating it in the upper House. Despite all of that, the very sensible amendments put forward by my good friend and colleague Steph Cooke were rejected by the Labor Party. Could you provide us some views as to whether you believe that makes, effectively, two classes of citizens in New South Wales: those that have a protected water asset under the constitution and the rural, regional and remote areas that don't? Mr Adams or Mr Mellor?

**QUENTIN ADAMS:** I don't really have too much comment on that. I personally wasn't fully aware of what was happening until we got an email about it. I can't tell if my mayor or general manager were aware of or part of those prior discussions, but I wasn't made aware of that at the time.

**GRAEME MELLOR:** I can support that. I wasn't personally aware. But again, being further down the food chain, the general manager may have been made aware.

**The Hon. WES FANG:** Given that you were perhaps not aware of whether the Labor Party had sought to provide protection under the same bill that it brought forward to the Parliament protecting Sydney metro and outer metro water assets, do you know if there has been any conversation with your organisations around a plan by the Labor Party to perhaps privatise part or all of your water infrastructure?

**GRAEME MELLOR:** I'm not aware.

**The Hon. WES FANG:** Mr Mellor or Mr Sharpe, do you have any views?

**WARREN SHARPE:** No, I haven't been made aware of any plans to privatise parts of regional water supply schemes.

**The Hon. WES FANG:** Would it be normal, then—

**JULIE BRIGGS:** Sorry, can I just add to that part of the conversation? I don't think any of the councils were really very aware or even contemplating this as a big issue for us because the water assets are actually embedded in council. The first part of privatising water assets in a council would be having to drag them out of the council in some way in order to then put them into an entity like a county council so that then they could be privatised. In our region, we were quite concerned about it because we've got two county councils and they are perhaps prime targets for privatisation—perhaps by being turned into a State-owned corporation first and then privatised. But I think for the rest of the councils where the assets are embedded, it's a more convoluted process.

As a consequence of that, I don't think that it really was in the forefront of most people's minds as something that could happen as easily as it could have happened to Hunter and Sydney. But in our region at least, because we have the two very large county councils delivering water, we were quite concerned that we didn't get some protection out of the process for our county councils, but probably not so much for our local government water assets because of the embedded nature of the infrastructure.

**The Hon. WES FANG:** Ms Briggs is quite correct. That's certainly, I think, perhaps the view that a lot of members may have taken about this issue. However, we were reminded during the debate that there was certainly a Labor-led inquiry just prior to the 2011 election where I know some of the Labor members were seeking to hold inquiries around the privatisation of regional water assets. That, I guess, led to some of the concerns that we saw. The fact that the Labor Party refused what were very sensible amendments from my good friend the shadow Minister Steph Cooke further made those concerns at the forefront of our minds, given that the Labor Party was refusing to protect the rural, regional and remote assets.

**The Hon. EMILY SUVAAL:** Point of order: Is there a question? I'm not sure what the question is that the honourable member is asking. I urge you to bring him to the question, if he has one.

**The Hon. WES FANG:** I'm getting there.

**The CHAIR:** Mr Fang, would you like to be heard on the point of order?

**The Hon. WES FANG:** No, I'm providing a bit of a preamble and addressing the concern Ms Briggs raised. I was just getting to the questions around Labor's privatisation plans.

**The CHAIR:** I will uphold the point of order. I would remind you as well not to use making submissions on a point of order to make another collateral point in the way that you just did. Would you like to ask a question as opposed to giving a speech?

**The Hon. WES FANG:** Certainly. Thank you, Chair. The final question that I'm seeking to ask is given that you've raised that there are some concerns around certain regional water assets not being covered under the original bill that Labor brought forward and the rejection of some of those sensible amendments, do you think that there is a risk for some of the more profitable regional, rural and remote water assets in New South Wales to potentially be privatised? If that is the case, what might that mean for regional councils and regional communities where the privatisation was implemented? I'll start with Ms Briggs and Mayor Firman.

**JULIE BRIGGS:** I think you've only got to look at what happened to the electricity county councils back in the, what, late to mid-nineties to see that standalone utilities that have their own legal entity can be turned into State-owned corporations, which then can be privatised. I guess that probably informed REROC's perspective around what we thought should happen from a legislative perspective. We have suggested in our submission that we think county councils should be specifically excluded from the State Owned Corporations Act to ensure that they can't be converted into a State-owned corporation because of our previous experience with the electricity county councils. I guess, in answer, yes, we think it can happen because it's happened before. We've made a suggestion in our submission about how we think we can protect the county councils from that happening.

**RICK FIRMAN:** Agreed.

**The Hon. WES FANG:** One question that just popped into my mind as you were providing that answer: We know that the Labor Party has said it is anti-privatisation. But if there was a privatisation push for some of those Riverina county councils with water, that wouldn't technically be a Labor privatisation, would it? It would be the privatisation of the county council. Labor could keep its election promise but still privatise and convert that asset into a cash splash so that it could use it to spend on other means. Would that not be a reasonable assumption?

**JULIE BRIGGS:** I don't want to make any assumptions. All I can say is that our previous experience is that county councils that were electricity county councils were turned into State-owned corporations, which eventually, under whatever government, were sold off and privatised.

**RICK FIRMAN:** And the customers were the ones that ultimately suffered.

**JULIE BRIGGS:** Other than that, I can't make any assumptions.

**Mrs HELEN DALTON:** Thanks so much for your submission. It is great to see you, Julie; I haven't seen you for a while. What do you see as your biggest challenge in delivering water quality or good water quality in sewage treatments in your area? I'll direct that to Julie, for a start, and then maybe the others can make comment as well.

**JULIE BRIGGS:** The biggest issue in delivering wastewater, I would say, in our area is probably trained staff right across the board. It's difficult to get trained staff. That is made worse by the fact that training is difficult to access. In New South Wales there are not a lot of people who have got the accreditation to provide the training. Our friends from CRJO, who are actually in the field, will probably provide more detail, but at one stage there was some safety net training provided that you could access and that is gone. That's an issue. I think the electricity and energy costs that these systems chew up are problematic—but everybody's doing new things. I think you've only got to go to lots of treatment places now and you'll see solar panels and arrays and batteries and things like that where we try to do the offsetting.

Many of our communities have expanding populations, so they're getting treatment systems and underground assets that are reaching end of life. They're incredibly expensive to replace even if you just skim the lines and do things like that. I think that's a bit of an issue and then, of course, we've got the depreciation of the asset, which makes a big impact on the bottom line. But first and foremost, like everywhere in regional New South Wales, is the skills shortage. Then, even if we can plug the skills shortage, it's difficult for us to get people on the ground that can provide the accredited training that we need to keep our people up to speed. But I'm sure CRJO, who are of course on the ground there, would have some other thoughts on that.

**Mrs HELEN DALTON:** Would anyone else like to make a comment before I move on to the next question?

**WARREN SHARPE:** We'd just like to affirm what Ms Briggs has said. The skills shortage is probably the biggest issue, but it's also the biggest opportunity, I think, too. What we've seen, particularly in the council where I was director, is what a fantastic opportunity that provided. We were able to actually engage many young people and give them a fantastic start to their life and career in a whole range of diverse trades, cadetships, accounting skills, whatever it was in the background. With these challenges comes a fantastic opportunity. Obviously the cost is a significant issue in a regional area and you've got to be careful to manage that. In the CRJO submission, we do make mention of the fact that there are probably a few tweaks to the funding arrangements that could be made for water utilities. Some of those relate to things like how do we become more resilient to natural disasters.

Certainly we saw in our neck of the woods that power supply was a really major issue and, in all the submissions that we've made, we've suggested the New South Wales and Australian governments should be finding some different ways to fund electricity in terms of resilience work, so that that flows on to the resilience of other critical infrastructure such as water, sewer and telecommunications without flowing through to a price impediment that has to be paid by the community and/or councils, which is going to further increase costs of other services. I think the Government needs to have a look at that particular aspect because there's a lot that can be done and quite simply done at an affordable price but really requires a more holistic view of critical infrastructure.

**Mrs HELEN DALTON:** We've heard from many today about onerous bureaucracy and lack of government interagencies working together. How do you think that these issues can be resolved, especially when we're trying to upgrade, say, water filtration plants and sewage treatment works? It seems to be onerous. Not a lot gets done in a four-year term. How do you think we can streamline this and get the money out into the regions?

**WARREN SHARPE:** I'm happy to make a few comments in this space if you like. I think one of the challenges with the delivery of all infrastructure, in New South Wales in particular, is the fact that there are many steps to go through. If you look at the changes over the span of even my own career, it's far more complex today than it was even 10 or 15 years ago, five years ago, to do works on the ground. The number of approvals that you've got to jump through—the challenges with getting those approvals through multi-agencies are very, very difficult. We're seeing, with the work that we've been doing, again, in the infrastructure and resilience space in terms of solutions, if you can bring people together around the table—so we held our workshop in Canberra just recently with a range of telcos, Essential Energy, representatives of all the councils and we were looking at this issue. For many in that room that was the first time they'd been together talking about the common issues across the table.

For me the exciting thing was just the level of discussion that started on that day, the relationships that were formed and the ability then to go forward and actually do something together. In terms of the funding arrangements, I've already mentioned a little bit about resilience. At the moment, you've got the schemes that go out and they have assisted many councils with the provision of small village town water supply schemes, sewerage schemes, for instance. The Eurobodalla Shire Council here is currently in the process of doing the Nelligen scheme with both water and sewer. That's a very good program, but many councils find difficulty in actually matching the funding that's available. I know that varies depending on the size of the community and local government has always advocated for a bit more of the piece of the pie from the State Government in that respect and that's just something we would ask the New South Wales Government to consider going forward.

**Mrs HELEN DALTON:** It almost seems as though, with the skills shortage that we've got and then the added bureaucracy burden, we should be trying to streamline the process. Do you think that a review or a further inquiry would help to put the spotlight on this issue?

**WARREN SHARPE:** I guess the short answer to that is yes. In terms of the approvals that are now required to deliver infrastructure, whether it's water and sewer or general infrastructure that we do, that would be an area that we've called on many times to look at the red tape, if you like, around the provision of that infrastructure so that there are ways that you can actually improve the efficiency with which councils do work. Some of those are moving from, instead of—simple things, like working for, say, a New South Wales Fisheries

permit where you've got to get an approval that can take quite some time for the smallest of things, as opposed to establishing a set of guidelines, for instance. So as long as you are compliant with those guidelines for those smaller scale works, you don't actually have to go through that permit process. There are simple ways, effective ways that can make government-to-government arrangements much more efficient.

**JULIE BRIGGS:** Can I add just a couple of things to what's already been said? I think, looking back over the history of some of the water infrastructure issues, there was a high-level investment by the State Government in IWCM planning, or integrated water cycle management. And councils invested quite heavily in getting IWCMs. Councillor Firman's going, "Oh my god, Temora took so long." Councils weren't able to access infrastructure money until they had an IWCM in place and it was taking the department literally years to approve IWCMs, so they became quite convoluted planning instruments—not to say they weren't useful, but quite convoluted. They took a long time to approve and infrastructure got held up because, without an approved IWCM, you couldn't move forward.

My understanding is the department stepped away from holding those two things together and I would think that that would be a very good thing and definitely less—a more facilitative approach to delivering infrastructure would be appreciated. I think the State tried very hard with its Safe and Secure Water Program to be more facilitating about how it delivered infrastructure into the regions. I don't know that it actually worked as well as anybody involved in it wanted it to. I found everybody that we worked with in Safe and Secure Water were very genuine about what they were trying to achieve, but I do think they got somewhat tied up in the compliance area, particularly with the IWCM requirements. That would be, I think, REROC's experience in that space.

**Dr MICHAEL HOLLAND:** I address my questions primarily to Mr Sharpe. Mr Sharpe, I want to thank you for all your work that you did for the Eurobodalla region during our bushfire emergencies and your long career down there. I think it's a template that we across the State would learn about disaster resilience and a response. I have a few things to ask about the consequences of privatisation. We know from your earlier statements that power is everything in natural disasters, but what would be the consequences and the risks of privatisation to the resilience to natural disasters in the future?

**WARREN SHARPE:** I think one of the things that we've certainly found, one of the biggest challenges we've found, in doing this piece of work—and good to see you again, Michael—across the different infrastructure providers is the level of individual thought process that occurs. And one of the big challenges, say in the telco area, for instance, is that now you have so many providers it's actually quite difficult to get them all together and thinking along the same lines. When you come to looking to get, say, a shared solution for what might be a shared site, that's much more difficult, going through that process, when you're dealing with effectively a private group. That's not to say that any of those people aren't genuine. I have found them all to be very genuine, but they are by nature working in commercial silos. So the process to get to an end result is much more difficult. I would say that privatisation of water utilities would put us in that same situation for local water and sewerage supplies. To me that would be a backward step.

**Dr MICHAEL HOLLAND:** At a coastal level, what would the consequences be to the threats to our coastal environment?

**WARREN SHARPE:** I think one of the things you've got to think about with councils is there is a very genuine intent on behalf of the councils to ensure that water services—water and sewage services—are there for the long term, and not just the quality of the service but the quality of the environmental outcome. We're not in a profit-driven model and we're not looking to take any shortcuts. We are looking to get the very best outcome for our community. We happen to live in a beautiful part of the world. We absolutely want to ensure that that's protected. So we have a whole different culture and perspective on the way we approach the task to someone who is in a commercial private entity. I can't see that a private entity would come to that task with the same sort of endeavour that we do as councils.

**Dr MICHAEL HOLLAND:** Would private enterprise have the capacity to deal with the experience you get in coastal areas of tripling of population during holiday periods? What would be the worst consequence there?

**WARREN SHARPE:** The worst consequence there would be failure of the system. Private enterprise would still go through a similar risk management approach and build up to those peak periods. We here are very attuned to what goes on in our local community. We put in a whole heap of additional effort because we know we go from approximately 40,000 people, say in Eurobodalla, to roughly 120,000, and Bega has a similar surge in capacity during that period of time. There's a whole host of tasks and resourcing that goes into planning for that peak period to ensure that we have a very sound water supply and sewage services during that peak time. Because we know that that relates to other factors, like the economic survival and prosperity of our region, obviously we



have only the best interests of our whole community at heart when we approach that task, so we're going to give it 110 per cent every year.

**The CHAIR:** I had one question for Ms Briggs and it relates to what you were talking about earlier. I think it is in your submission as well. You were talking about a threat in terms of privatisation of local water utilities arising from the State Owned Corporations Act and potential use of that. I was wondering if you could explain that to us, because I think that's the first we have heard of that? I was curious about what you see the mode of that threat potentially materialising?

**JULIE BRIGGS:** We put that in there simply and I think really based on our experience in electricity, county councils. So what happens is you take a local government entity that is a standalone utility, like electricity or water, and then the State decides that it would be better if the State owned it. So the State takes possession of it through the State Owned Corporations Act, obtains all of the reserves, if you like. They all get taken over by Treasury, and then it gets its own board and runs as a State-owned corporation. Once it's a State-owned corporation like that, then it's a very small step to privatisation. We saw that, say, with the Land Titles Office. That went off to privatisation because it stood alone as a State-owned corporation. That's probably the most recent one. We put that in there specifically relating to county councils simply because they are an entity in themselves. They're a single purpose entity and we think they're probably the ones that are most susceptible in the short term to privatisation via a State-owned corporation.

**Ms STEPH COOKE:** I have a couple of questions, the first one being with respect to the Safe and Secure Water Program, and you've touched on it today, Ms Briggs. I'm interested to understand from everyone who is here today the importance of that program, noting that it's a fund that's sitting at about \$1.1 billion since its inception in 2017-18. Do you believe that it is imperative that this program continues? We have heard that in a lot of respects that program is oversubscribed. Is there more work that you believe that fund has to do with local government? If so, are there improvements that you would suggest for the future operation of such a program in relation to how it might better help local governments with their infrastructure backlog? Ms Briggs, why don't we start with you?

**JULIE BRIGGS:** I'm not super prepared with responses to Safe and Secure Water, however to say that, yes, our councils have definitely accessed it. Our experience in REROC with Safe and Secure Water and with the bureaucrats that were running it has been a very positive one. I found them very open to co-design, very open to collaboration and consultation. It's my belief that the program tried very hard to work with councils to deliver the kind of infrastructure they actually needed for the communities they serviced. It is oversubscribed and it's oversubscribed for a good reason. We're looking at infrastructure in rural and regional areas, infrastructure that covers kilometres and kilometres. It's all varied infrastructure, so there's a lot of hidden costs and problems that we don't know about. And, as I said earlier, most of us have growing populations and therefore demand for more servicing, and we would be looking to Safe and Secure Water to assist us to provide those services. So, yes, I believe that most of our member councils would like to see Safe and Secure Water—

**RICK FIRMAN:** Expanded.

**JULIE BRIGGS:** Yes, and as Councillor Firman is saying, even expanded.

**Ms STEPH COOKE:** Thank you very much. Mr Sharpe?

**WARREN SHARPE:** Good to see you again, Steph.

**Ms STEPH COOKE:** Good to see you as well.

**WARREN SHARPE:** It is an absolutely essential program for local government. You've got to keep in mind too that for rural and regional areas they're not just servicing their own local communities; they're servicing the millions of people that come to them every year out of the city environment, and that's a really fundamental thing. We've got to design and run a water supply system, say in Eurobodalla—my old council—that can manage the peak demand that's three times the population. That's a huge task and government surely cannot expect the local population is able to do that on their own. We've seen some fantastic investments down here, including the new Eurobodalla dam that's now under construction servicing villages and towns like Nelligen. So, for all of you who eat oysters, you can be assured pretty shortly that you are going to have a beautiful sewerage scheme up in Nelligen, so your Clyde River oysters are going to be so much better off for that. That goes to the point of international trade as well.

There are so many benefits, not just to the New South Wales Government but to the Australian community that come from those programs that have to be considered. We would urge the New South Wales Government to expand that and also to look at how you can work across infrastructure providers to improve resilience of water and sewer and other critical infrastructure. A simple example I will give you is this: In the one bushfire event of

2019-20, we had 3,200 timber poles burn to the ground. It's okay for you to lose power for a short period of time and to run that system with a generator for five or six hours or something, but when you've got a whole line into your service area that's out for four, six or eight weeks, that's a completely different ball game. You're diverting huge amounts of resources, and all that requires is a few composite poles to go in. That's the sort of stuff the Government should be looking at funding. It's certainly part of our submission to the State disaster mitigation plan that the Government has a look at that type of stuff and that the Safe and Secure program is tweaked to consider resilience. That would be one of my strong recommendations.

**Ms STEPH COOKE:** That's very insightful. Thank you, Mr Sharpe. That's all I have.

**QUENTIN ADAMS:** If I could just add a little bit to that, I fully support the SSWP. The Snowy Valleys Council is currently funded on several projects, so it's critical for us to be able to deliver some of our projects and ease that burden on our ratepayers. We definitely support some of those statements, like, for example, from Mr Sharpe as well. The city population coming to rural areas expect the same quality of water as the city water, so for us to be able to provide that we really need the Safe and Secure support. What our local communities have, they can accept or agree on a lower level of service for themselves but, when we get a raft of visitors coming, those visitors expect that level of service that they're getting in the city. For us to be able to provide that, it costs significantly more. The Safe and Secure Water Program really is essential to help us provide that level of service.

**GRAEME MELLOR:** Just to affirm what Quentin said, the fact that we do have a different scale with regards to population, the grants and programs are an essential part of funding the investment going forward in the infrastructure to keep us going at the high quality that we provide.

**QUENTIN ADAMS:** Also, just on the Safe and Secure Water Program, I'd say that maybe it's probably focused on treatment and network. It would probably be good to have a bit of innovation around that around innovative solutions around electricity or batteries. We're getting lots of funds available through different organisations like energy, the Clean Energy Group and things like that. If those could be directed through the Safe and Secure Water Program to allow us to put these large batteries and solar farms and things on our supplies to reduce the burden on the network, it would be great to have that directly through that program. We applied for batteries through one of these other funding schemes and we obviously don't get a look-in because there are so many other organisations and groups and things out there. We don't get a look-in. Having it directly through the Safe and Secure Water Program with a few innovative tweaks to allow us to do a few extra or different things rather than just treatment, I think, would help as well.

**The CHAIR:** We have reached the end of the allocated time for this session. I thank all five of you for appearing before the Committee. You will each be provided with a copy of the transcript of today's proceedings to make any corrections. I don't think we had any questions on notice, which is good. I thank you again.

**(The witnesses withdrew.)**

**Councillor DARRIEA TURLEY**, President, Local Government NSW, affirmed and examined

**Mr DAVID REYNOLDS**, Chief Executive, Local Government NSW, sworn and examined

**The CHAIR:** We are very fortunate to have the CEO and the president of LGNSW here. I welcome you both and thank you for appearing to give evidence. Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to examination of witnesses?

**DARRIEA TURLEY:** Yes, we have.

**The CHAIR:** Do you have any questions about that information?

**DARRIEA TURLEY:** No.

**The CHAIR:** Would either of you like to make a short opening statement before we turn to questions?

**DARRIEA TURLEY:** Thank you, Chair and Committee members, for providing the opportunity for me to appear at today's hearing. I appear today as the president of Local Government NSW, the peak body representing 128 councils across New South Wales as well as related entities such as county councils, regional organisations of councils and joint organisations. Local Government NSW has welcomed this inquiry and has long called for the protection of local water utilities against privatisation. Local water utilities play an important role in local communities and, as a sector, we support the need for legislative measures to safeguard their ownership. Council ownership and control of local water utilities are essential for ensuring equitable access to safe, reliable and affordable water services in regional communities.

Water supply and sewerage services are integral to regional councils in New South Wales, constituting a significant portion of their operational capacity, helping provide critical mass and economies of scale for both the general functions and the water utility functions of council. Privatisation poses a threat to financial sustainability and community service obligations for water services and may result in conflicts between profit objectives and community-focused efforts for the public good.

I would also welcome this inquiry considering not only protection from privatisation but also protection from the broader threats of forced amalgamation, corporatisation into State entities or the potential absorption of certain local water utilities into Sydney or Hunter Water. Like Sydney and Hunter Water, Local Government NSW is seeking legal protections for local water utilities through similar amendments, as were made to the Constitution Act earlier this year. Such amendments will provide the necessary legal framework to protect local water utilities from privatisation by binding current and, more critically, future governments from selling off local water utilities by securing their continued council ownership. Local water utilities have proven to be effective entities capable of delivering water services safely, securely and efficiently. Their performance in New South Wales compares favourably with utilities in other Australian jurisdictions in terms of water pricing, quality and residential bills, performing equal to or better than comparable regional areas.

Strong working relationships have been established through the advocacy efforts of Local Government NSW with DPE Water, WaterNSW and ministerial offices over the years. Any policies that may lead to the privatisation of local water utilities could jeopardise these collaborative relationships between local water utilities and government agencies. Local Government NSW also supports collaborative models at a regional level between councils to retain local community involvement and control over water services. For example, water utility alliances such as through Central West JO and Orana Water Utilities Alliance have proven successful. In closing, I want to reiterate that Local Government NSW supports protections from privatisation, corporatisation and amalgamation of local water utilities, and welcomes the work of this Committee to ensure we get it right. Thank you. I am happy to take questions.

**The CHAIR:** Thank you, Ms Turley. You say in your submission that, while Local Government NSW supported in principle the amendments that were put forward by Ms Cooke, I think, on behalf of the Opposition in relation to protecting water utilities, LG did have concerns about potential unintended consequences. I was wondering if you could talk us through what type of unintended consequences LGNSW was concerned about?

**DARRIEA TURLEY:** Firstly, I think the timing of those amendments. We were concerned that we didn't have enough time to consult with our members, and particularly the complexities of the water utilities themselves. There are some land use issues that we had identified but it really was around that timing process and about what would some of the different models that we have, because not every model is the same, what would be the impact? We needed to consult more with our members to make sure that we didn't see those unintended consequences. I may pass over, with the will of the Chair, to our CEO, David Reynolds.

**DAVID REYNOLDS:** Just to reiterate and support the comments of Darriea, the president there, I think really the key issue was that in principle the association supported the attempts to assist with the sector that way, but in terms of the time to properly do that deep dive—and I think you've heard the level of detail in earlier answers today as we were able to hear as we came in—there really are nuances to these relationships that, whilst it may have been okay, if they needed to be tested and those opinions needed to be voiced. As a member association, we're always conscious when things seem simple but often there's complexity there that we just need to explore to make sure we're representing those voices properly and deeply.

**The CHAIR:** Does LGNSW have a view about other ways that enhanced regional collaboration might improve the delivery of water services and therefore protect against privatisation pressures?

**DARRIEA TURLEY:** Mr Reynolds?

**DAVID REYNOLDS:** I think probably what we would articulate is a view that the certainty of the future is part of the equation, so having knowledge that there is certainty of the future of these entities is a good place to start. That allows those entities, as they know their circumstances, to best plan and prepare in that certainty for their future endeavours. They know their communities. They know their financial settings. They know the service provision. We've heard already today there is a base load service provision that may serve local communities, but then there are clearly peak service provisions which serve their economies that may be based on tourism or visitation, for example, from time to time. I put to you that, firstly, that point around certainty of future endeavour allows for good planning, both in an asset management and a financial sense.

I think the other thing that we would be conscious of is that continued clarity around funding pathways for these entities allows support for that ongoing asset management and proper logistical planning as well. The continued recognition that these entities have restricted ways of collecting funds and the greater certainty there is around that fund collection, and the ability for that to be supported as it needs to be whether it's through community service obligations or whether it's through ongoing grant programs. I think we heard a lot of information already today, and Mr Sharpe spoke to that in the session prior to us, as I heard coming into the room. Those key things would allow these entities to continue to plan and manage their circumstances, as, we would argue, they've demonstrated a very good ability to do. They're fiscally responsible. They know their service levels. They've been able to demonstrate a good standard of performance for an extended period of time and we'd argue they're in the best place to continue to do that.

**The CHAIR:** Mr Reynolds, on page 8 of the submission you say:

It is important to note that many LWUs already outsource activities to the private sector ...

Then you go on to say:

Further, some LWUs have more complex arrangements for their water supply functions, including partnerships, joint ventures, and arrangements with non-government entities for water supply functions. These non-government entities include mines, private power stations, Local Aboriginal Land Councils ...

Then you go on. Are those the sort of things that LGNSW would be of the view should be preserved under a prohibition on privatisation—that it's important that the sector keeps that autonomy to have those sorts of arrangements?

**DAVID REYNOLDS:** Yes, that's a fair summary. We would argue that there's still a level of autonomy and control but, as per my previous answer, these water utilities know their service provision and we'd of course point out that there's a very clear difference between that type of entity deciding to run a contract for a service in a particular way as opposed to privatising their service or losing control of a service to an entirely separate corporate or government-owned entity. Choosing to outsource a service through a contract which they stay in charge of—they can monitor the provision of service and its quality and its cost over time—is very different to the privatisation of a service where control and those other factors pass out of the sphere of the entity's influence.

**The CHAIR:** There was an earlier witness who talked about that there are two criteria that they say should be maintained: one, ownership; two, control. Is that sort of broadly your view as well, as an organisation—that as long as those two things are maintained, under more flexible arrangements?

**DARRIEA TURLEY:** Yes. I mean, I think that's our position and I think that for councils to have that control and ownership is critical to this debate.

**The Hon. MARK BANASIAK:** Thank you for your attendance. I'm just picking up on what you said in your opening statement but also on page 5 where you talk about the broader threats. It would seem that most of those threats come to the fore because of a council's financial situation. It may be forced into an amalgamation; It might be forced into selling off its assets. I note you've noted Central Coast Council was under pressure to sell its water utility to improve its financial situation. Maybe this is beyond this Committee, but do we need to look more

broadly at what is forcing councils into this position where those threats have become very real, noting that there are a large number of councils looking at special rates variations and that's not a panacea to fixing councils' financial problems? Do we need to look more broadly at essentially treating the disease, not the symptoms, and try to fix and come up with a better way of making sure councils are financially viable so those threats don't appear? Regardless of whether there's a piece of legislation that says you can't privatise water, those threats still are very real when you look at the financial viability of councils.

**DARRIEA TURLEY:** Thank you, and I'll start with the question—I'm so sorry; I've got a funny throat today. You know, we welcomed Minister Ron Hoenig's announcement earlier this year about the review of financial sustainability for councils. We've seen the impact the unintended consequences of amalgamations and the impact that we've seen across the board of that. Financial sustainability is the number one priority for Local Government NSW in our policy position because we know the stories every day that face councils. But the story that has been successful in many ways is around the story about managing their own water utilities and sewerage. There are opportunities and gains for councils around that but the biggest thing is reducing their cost and impact on their local communities. Their local controls, their opportunities of their workforce have often been a better outcome than it may have been if it was contracted out or, you know, if it was privatised. Should I say that word?

But I think for all councils, financial sustainability is a struggle that they're all going through. It's not one council that isn't talking about having—well, there may be one or two—a surplus that is there to sit in the bank. Every one of them is talking about how are they going to maintain their ongoing infrastructure, how are they going to plan for the future? Some of them are talking about how are they going to pay for their workforce. But for all of that, that big picture financial sustainability—as I said, we welcomed Minister Hoenig's review into that.

**The Hon. MARK BANASIAK:** Just picking up your comment there about maintaining infrastructure, we've heard today that there's probably over \$5 billion worth of work that needs to be done on infrastructure. That obviously speaks to a long-term problem of being able to get the funding out to where it's needed and get the work done as expediently as possible. Has Local Government NSW turned their mind to any thoughts of how we can get that funding out quicker and get this infrastructure improved quicker so you don't get this long-term build-up of this massive maintenance bill that eventually we have to find the money for?

**DARRIEA TURLEY:** I think some of the stories we've heard about their infrastructure—the long-term planning has been quite frightening, to be frank. Carrathool council sharing about their challenges for their own water supply—I'm not sure, and I'll ask Mr Reynolds if we had actually come up with a formula around how this would be retained.

**The Hon. MARK BANASIAK:** It just seems we need to have a more strategic view of how we keep on top of this rather than this sort of "Oh, crap" moment, where we realise we've let the bill just get so high.

**DARRIEA TURLEY:** I think, for most councils in their asset management, they could predict their financial challenges and certainly about their water utilities and sewerage utilities. But there doesn't seem to be the massive funding model that's needed and, as you said, there has been that issue pointed out about what is the backlog there for that water infrastructure. I know that Carrathool was an incredible amount. I thought, "They're never going to—they've only got a couple thousand residents. How would they ever be able to invest in that process?" So where does government or where does their business—you know, what is their business that could mean that they can actually capitalise on? It's these challenges. But I'll hand over to Mr Reynolds.

**DAVID REYNOLDS:** Thank you and thanks again for the question. To complement the answer about needing certainty of funding and good asset management planning so that the councils and the entities that control the utilities through them can plan and map the need and timing of their work and then think about their service obligations—comes the complementary part of the discussion about, even if you know what's due to be done and you can fund it, can you get the workforce, the skills, the labour, the supplies to actually do that at the time. That's, of course, another issue. Because we tend to find that the water utilities—and there are over 90 of the LWUs across the State. They're sometimes in the hardest to reach places. So that challenge of complementing labour with resourcing is another hurdle that they've got to get over to be able to meet that asset management challenge. We'd very much encourage the inquiry to keep turning its mind to those things—and happy to be involved in further discussions on that.

But we know that they manage, as I've got it on DPE data, almost \$30 billion worth of assets across the State. There's reasonable revenue because of that. But that's a very large asset portfolio to manage. Some of it, no doubt, is newer; some of it is clearly going to be older. We know it's critical, and so it's critical that we continue to fund, we continue to have a capacity to plan, but then we've actually got a capacity that we retain to do. And so it's important that the sector keeps working on training its staff, attracting new staff, looking at apprentices and trainees and working across the board—critical in water, also critical in other sectors as well. But, yes, there are a few parts to that answer.

**The Hon. MARK BANASIAK:** I note that it's also important that you guys get the money quickly because sometimes, by the time you get the money, the cost of doing that project has skyrocketed and what you get doesn't cover the job.

**DAVID REYNOLDS:** Yes.

**DARRIEA TURLEY:** Absolutely.

**The Hon. WES FANG:** Councillor Turley, you've got a party affiliation or a political affiliation. Is that correct?

**DARRIEA TURLEY:** Yes.

**The Hon. WES FANG:** With the Labor Party?

**DARRIEA TURLEY:** Yes, I'm a proud member of the Labor Party.

**The Hon. WES FANG:** Look, we all make mistakes. It's okay.

**DARRIEA TURLEY:** I don't know if you could speak to me like that, but—

**The Hon. WES FANG:** I'm just raising it because I just wanted that up-front before I put questions to you so that I'm not accused of not having addressed it before up-front. I noticed in your opening statement you indicated that there was support in principle for what my colleague and good friend Steph Cooke had put forward by way of amendments but you were concerned about the unintended consequences, which the Minister spoke about in addressing those amendments during debate in both Houses. In relation to that, you've said that, while you're supportive, you were concerned and you also didn't have time to speak with your members about those amendments. Did the Minister speak to you or your organisation about the bill before she put it before the Parliament, given that it was so important that it was the first piece of business that Labor was seeking to really push through the House at the time? Was there any consultation?

**DARRIEA TURLEY:** I'll take that on notice and I'll check.

**The Hon. WES FANG:** Because it would seem to me that it would be unusual that Labor would seek to protect one part of the State's water assets, the part that was covering Sydney metropolitan and the outer metropolitan areas, but totally exclude—or not include, I should say, probably is a better description—the assets that were outside the rural, regional and remote water assets. When it was brought to their attention that they weren't included by my good friend Steph Cooke, they refused to include them in the bill. It seems to be that, every time I ask this question in the hearing today, nobody actually had consultation with the Minister about the protection of the metropolitan assets prior to her bringing the bill. Was there any consultation with your organisation at all or with your members in relation to that aspect of the bill?

**DARRIEA TURLEY:** I'll take that on notice, thank you.

**The Hon. WES FANG:** I'll presume that there perhaps wasn't a great deal of consultation with councils around the protection of the metropolitan assets for Sydney Water, Hunter Water et cetera. That bill was brought on anyway by the Labor Party into the House. If there wasn't a great deal of consultation, one can presume that the flow-on unintended consequences may well exist in the current bill as it was passed through this place and yet in that instance the Labor Party still refused to include rural, regional and remote water assets. Do you think that might create within your membership a feeling of two classes, where there is protection for some of your members and their council areas but other council areas aren't offered the same protection by the Labor State Government?

**DARRIEA TURLEY:** I think for our rural councils—and I'm a rural councillor. Surprisingly, people would—you know, Broken Hill City Council doesn't manage our own water assets. But I think, for rural councillors, they are very invested because over 90 per cent—90 councils have ownership of their water assets and sewerage assets. I think there is a greater investment and there is a greater understanding of the impacts of continuity of water, basically. We've seen what the drought does across New South Wales and rural and regional New South Wales. I've never seen such a greater investment for Broken Hill, in particular, that had a pipeline laid in such quick time without—very little consultation. So things can happen very quickly.

**The Hon. WES FANG:** I think that was Minister Blair, wasn't it, back in the day?

**DARRIEA TURLEY:** Yes.

**The Hon. WES FANG:** Yes, good Minister.

**DARRIEA TURLEY:** So for those—would there be considered two classes? I think the priority for rural councillors is water security. They believe they're best invested with them to make sure they maintain that water security.

**The Hon. WES FANG:** Part of the reason that I raised your political affiliation earlier is because, despite the fact that you are a member of the Labor Party—and I admire this—you were happy to sink the boot into Minister Hoenig earlier this year when he had an unprovoked attack on councils. Would it be fair to say that, political affiliations aside, you're reasonably happy to sink the boot into your own party when they disappoint you? Are you disappointed that they refused to allow reasonable amendments by my colleague Steph Cooke to be included in the bill to provide every person in New South Wales the same protection and not create a two-tier system where Sydney metropolitan people have protection and those in rural, regional and remote communities don't?

**DARRIEA TURLEY:** When I sit and speak as president, I don't stand with a political affiliation, so my position is to make sure the best outcome for my members. Certainly at all times we try to be informed, we try to be consultative and we try to make sure that we hear the local issues. We're member based, so we will always continue to make sure that our members are consulted.

**The Hon. WES FANG:** But the best outcome for your members would've been to have those protections extended across the whole of the State, wouldn't it?

**DARRIEA TURLEY:** I guess the best outcome would've been more time so we could've consulted with our members. What we needed was that time. At the stage, we didn't have that time.

**The Hon. WES FANG:** Whilst they said that that was going to be something that they would prioritise, ultimately a bill was brought to the House—or brought to the Parliament—that, in effect, created that two-tier system, because it was only the protection for metropolitan now, to metropolitan Sydney. When you said you were seeking to consult with local members, obviously—and we've heard evidence earlier that the Country Mayors Association was particularly strong in their view that the amendments that were brought forward by Steph Cooke, the shadow Minister, were appropriate and provided the protection that they saw as something that was required, given that the Labor Party here were seeking to protect outer metropolitan water assets. Did they provide to you their views? Does the fact that they obviously represent the large sector of the rural, regional and remote councils provide Local Government NSW the catalyst to perhaps advocate more strongly in relation to the protections that should've been included in that bill?

**DARRIEA TURLEY:** I don't think Country Mayors wrote to us to advise us of that.

**The Hon. WES FANG:** There's obviously formal communications that occur, but there's also informal: text messages, phone calls, conversations on the sidelines. I'm sure you would've been aware—and this is no secret, because the Minister read the text messages onto *Hansard* in debate in our House—that Mayor Jamie Chaffey had advocated quite strongly to the water Minister, on a personal level, to have those rural, regional and remote water assets included in the bill, and then she refused to have that occur. Did those informal conversations happen with you at all?

**DARRIEA TURLEY:** I think, for all our members—to be quite honest, Mayor Jamie Chaffey is on our board, so I'm sure he was aware of our concerns around the time line.

**The Hon. WES FANG:** Do you think it was fair to provide the protections for one part of your membership in the first instance but not provide them to the rest of the State, by rushing a bill through because it was effectively a political grandstanding moment for the party? Or do you think that there should've been some equity in considering the wider ramifications of creating that two-tier protection/non-protection parts to water assets in the State?

**DARRIEA TURLEY:** I think we're very pleased that we're here, having the opportunity to present our concerns and about the way forward and that our members want to make sure that our services aren't privatised and that it is actually maintained control of council.

**The Hon. WES FANG:** Has anybody raised with you what the unintended consequences that were foreshadowed by the Minister could actually be? Certainly I think the evidence that we've heard today has been that these foreshadowed, mysterious, unintended consequences are such that nobody actually can identify what they are or may have been. Has anyone raised with you what they may have been?

**DARRIEA TURLEY:** We're talking about Minister Jackson's control, wanting to stop the privatisation of Hunter Water?

**The Hon. WES FANG:** No. There was, I guess, a narrative that was commenced during the debate, that, even though there hadn't been a great deal of consultation in relation to the protection of Sydney Water, Hunter Water and the like, we couldn't adopt the amendments that were moved by Steph Cooke because there may have been unintended consequences that we hadn't considered. That was the reason that was given for not providing protection to rural, regional and remote communities and their water assets by the Labor Government. But nobody

can actually seem to identify here what those unintended consequences might've been. Has anybody raised with you what those unintended consequences might've been?

**DARRIEA TURLEY:** The issue, as we stated at the beginning, was we did not have that time that was given to us, afforded to us, to investigate whether there was issues. Our staff went out to the members to do all that work, and I'll take it on notice, the time frame that we were notified to the date that the amendment was placed. We'll take that on notice, and we'll write back to you about that.

**The Hon. WES FANG:** I accept that. However, the counterpoint to that argument is that the metropolitan councils also would've had a lack of consultation because the bill was effectively the first one that was brought to the Parliament, and so any lack of consultation in relation to rural, regional and remote was exactly the same for those in the metropolitan and outer metropolitan, like anyone covered by Hunter Water.

**DARRIEA TURLEY:** Forgive me if I am wrong, because I've come down with this bug this morning, but I think at the beginning, when you asked the question about the consultation, about the metro and Hunter, I said that I would take that on notice. I can't compare apples and oranges if I don't know what the apple was.

**The Hon. WES FANG:** That's fair, and I thank you for that. We heard today from the member for Murray, Helen Dalton, that, while this bill is obviously something that needs to go through and the protections need to be extended, it's her view that perhaps there needs to be a wider and all-encompassing inquiry in relation to the way that water is managed across the State, not only with water assets but, certainly, the provision of water, the storage of water, increasing in storage and the red tape and the restrictions that are placed around the use of water in the State, particularly around local government et cetera. Would you, as an organisation, have a view as to supporting or seeking to encourage that sort of an extended inquiry occurring?

**DARRIEA TURLEY:** We'd absolutely support that. I think, when you see the concerns by some of our members about the bureaucracy and inefficiencies—we'd support this in principle, and certainly I know that we also have concerns about the approval process for section 60. That needs to be streamlined. So absolutely we would support that in principle.

**The Hon. WES FANG:** Of course, you'd be very happy to pass those on to your good friend Minister Ron Hoenig and Minister Jackson as well, obviously, that Local Government NSW would support that inquiry?

**DARRIEA TURLEY:** I think we do often write to both Ministers and express our concerns.

**The Hon. WES FANG:** I am sure Minister Hoenig in particular is very diligent in replying.

**DARRIEA TURLEY:** I'm going to say I have a lot of respect for Minister Hoenig.

**The Hon. WES FANG:** That makes one of us.

**DARRIEA TURLEY:** When I was a young councillor, he was the Mayor of Botany and controlled the floor of conference. So, as the president, I welcome him any time to come to conference and—

**The Hon. WES FANG:** I have no doubt that the Labor Party would be very strong in controlling conferences. With that, I will hand over my questioning.

**Ms STEPH COOKE:** Mr Reynolds, page 7 of your submission states:

LGNSW supports the development of an alternative government funding model for council-owned LWUs in NSW, including the potential implementation of a needs-based Community Service Obligation (CSO) model.

Can you elaborate on what you mean there, please?

**DAVID REYNOLDS:** Yes. Thank you for the question. Local Government NSW does support the development of such a system. The approach is really driven by an understanding, through our membership, of the stakes involved when water and sewage services fail. We know that the funding model needs to respond to that service obligation because that poses severe risk to public health, to environment and local economies, and the cost of that service and absence of economies of scale is sometimes difficult to get over. I think also it connects to responses given previously, that, where you have a system which has lots of elements but your funding is finite and capped, you need to be as efficient and as effective as you can in the funding pathways that you have. So we'd support opportunities that go to being efficient and effective and as useful, in terms of funding, as we can. We think that that community service obligation is one potential way to do that. That may complement other funding pathways too.

**Ms STEPH COOKE:** In terms of it being an alternative government funding model, do you think the current model is broken?



**DAVID REYNOLDS:** I think, if I refer to answers that have already been given, we welcome the opportunity for that to be reviewed. The review may find strengths in that model that can be augmented; it may find opportunities for improvement. I think probably the strength of the process is that our mind is not closed to any opportunity to improve the opportunity for councils and the utilities to fund and serve their communities that way.

**Ms STEPH COOKE:** With respect to protecting local water utilities from privatisation through legislative change, there has been a lot of discussion today about potential unintended consequences—also by your own organisation. Can you please articulate what those potential unintended consequences are?

**DAVID REYNOLDS:** Yes. I will do my best, noting that I joined the association in September, and certainly I think some of the context of those discussions predates my time. I note there have been a couple of items taken on notice. I can't speak to those today. Part of those unintended consequences are—there are two parts. Some may have been known at the time, and I'd have to take on notice what they may have been. But partly the broader consultation opportunity with members would have allowed us to try to identify what some of those unintended consequences might have been. So I don't wish to try to give a circuitous answer to that, but part of representing our membership well on any one of a number of complex issues is understanding that we need to engage with them so that they can provide that feedback and so that we can identify and articulate those consequences when we may not be the repository of all that knowledge to start with. Sorry to answer in a roundabout way, but I think that's the best response.

**Ms STEPH COOKE:** With respect to the Safe and Secure Water Program, is it your organisation's position that this is a funding program that should be continued into the future?

**DAVID REYNOLDS:** I acknowledge earlier responses have been given today, which I note. I think I'd put that in the terms of my earlier response, which is that we would welcome consideration of all funding paths that serve this sector well and serve these particular functions well. It may be that that particular program goes part of that way; it may be that it does a good job. If we can determine that, and that's one of the determinations and findings of this inquiry, then we would say, "All to the good", but there may be other opportunities to strengthen and augment that funding pathway as well.

**Ms STEPH COOKE:** Have you identified any ways that that program might be able to be improved into the future for the benefit of your members?

**DAVID REYNOLDS:** I'd have to take that question on notice.

**Mr JUSTIN CLANCY:** Firstly, thank you, Councillor and Mr Reynolds. I am interested in page 5, where you've got some really valuable information around benchmarking with other jurisdictions, stating that regional New South Wales LWUs compare favourably with utilities. I'd be interested in terms of the background of some of that benchmarking and your thoughts as to what might be contributing to the performance of LWUs in New South Wales being favourably compared to other jurisdictions, please.

**DAVID REYNOLDS:** Mr Chair, I'm happy to take the answer for that one. I think in our submission we've listed the source there as coming from Water, the New South Wales government entity. In terms of reasons for why that might be the case, I suspect there would be no surprise that we would articulate that the closer the decision-makers are to the issue, and the better they understand their communities and can represent their voices, we would argue the stronger those decisions have the capacity to be and the more responsive they have to be to particular community need that might be determined from time to time. I think we've heard other examples earlier today where that community need is not just what might be considered a baseline or recurrent need; it might have to respond to peaks and troughs throughout different seasons as well. We would argue that the local entities are best placed to make that decision.

**Mr JUSTIN CLANCY:** I just go back to your response to Ms Cooke in terms of the funding programs and the opportunity to strengthen them. Broadly speaking, the ability to have a regional-based program on a needs basis—would you be supportive of that?

**DAVID REYNOLDS:** Mr Chair, yes, we would be broadly supportive of that, subject to having the ability to review any terms of changes so that they continue to suit the needs of members. We are conscious of people being able to apply appropriately for those types of funding programs. Our experience, in a general sense, would be that we would always try to advocate for reductions in barriers to funding pathways. So if it relied on overly complex applications, perhaps to change grant schemes, which ruled out some of the smaller entities because it required investment to actually prepare a detailed submission, we would always advocate that there should be a right size or a good fit of a model that seeks enough information so that there is probity and accountability through expenditure, which is fair and appropriate, but doesn't set up too much of a barrier and

create too much of an administrative burden which restricts the best amount of money possible from getting to the problem it needs to fix.

**Mr JUSTIN CLANCY:** Have you had the opportunity to give previous feedback on that in that regard, Mr Reynolds?

**DAVID REYNOLDS:** I understand so. We give that feedback generally in many different locations, yes.

**The CHAIR:** That brings us to the end of this allocation of time. I thank Ms Turley and Mr Reynolds. You will each be provided with a copy of the transcript for today, if you want to make any corrections. There were a couple of questions taken on notice. We ask that those answers be returned, if possible, by 12 January.

**(The witnesses withdrew.)**

**Dr JEREMY McANULTY, PSM**, Executive Director, Health Protection NSW, NSW Health, affirmed and examined

**Dr PAUL BYLEVELD, PSM**, Acting Director, Environmental Health Branch, Health Protection NSW, NSW Health, sworn and examined

**Ms AMANDA JONES**, Deputy Secretary, Water, NSW Department of Planning and Environment, affirmed and examined

**Mr ASHRAF EL-SHERBINI**, Acting Chief Operating Officer, Water, NSW Department of Planning and Environment, affirmed and examined

**Mr BRETT WHITWORTH**, Deputy Secretary, Office of Local Government, NSW Department of Planning and Environment, affirmed and examined

**The CHAIR:** I welcome all of our State officials who are here to give evidence to assist us. Has everyone been issued with the Committee's terms of reference and information about the standing orders?

**BRETT WHITWORTH:** Yes.

**The CHAIR:** I assumed so. You are all very experienced at this. I now invite anyone who wishes to make a brief opening statement before we move to questions.

**JEREMY McANULTY:** Thanks for inviting us from NSW Health to the Committee. NSW Health works with local water utilities to advise them on how to provide safe and, where possible, fluoridated drinking water to their communities. Water utilities have responsibilities under the Public Health Act and the Fluoridation of Public Water Supplies Act. The Public Health Act requires all local water utilities to have a drinking water management system based on National Health and Medical Research Council *Australian Drinking Water Guidelines*. Water utilities must demonstrate how they satisfy these requirements. We provide guidance to water utilities on how to complete reviews and audits of their drinking water management systems. We offer free-of-charge testing to local water utilities through the NSW Health Drinking Water Monitoring Program. We also offer support in implementing drinking water management systems, focusing this support on the least-resourced water utilities with the greatest vulnerabilities.

Local water utilities that fluoridate drinking water must comply with specific procedures and conditions including for testing, operator qualifications and risk management. The NSW Health Fluoride Capital Works Subsidy Program provides a 100 per cent capital subsidy for the construction and replacement of water fluoridation plants and reimbursement to local water utilities for system assessment, audit and training for operators. Some local water utilities are service providers under the Aboriginal Communities Water and Sewerage Program and are responsible for providing drinking water and/or sewerage services to discrete Aboriginal communities. We work with Department of Planning and Environment to support utilities to implement this program, which is a joint initiative of the New South Wales Government and the New South Wales Aboriginal Land Council, which invests over \$200 million over 25 years to support water supplies and sewerage systems in discrete Aboriginal communities.

There can be many challenges in providing safe drinking water, especially in the face of floods, drought and aging infrastructure. Some towns need treatment upgrades to address health risks and others face challenges in the water's taste, odour and feel, for example, due to a change in source—from river to bore—or the impact of drought and blue-green algae. In most years, boil water alerts are issued by several water utilities where water quality is threatened by events such as heavy rainfall or floods in towns that lack adequate infrastructure to provide effective treatment.

Some utilities, particularly those in remote locations and with small ratepayer bases and large local government areas, continue to face challenges managing their water supplies. These utilities have difficulty in recruiting and retaining qualified and skilled staff at all levels, and small ratepayer bases limit their funding ability to support that infrastructure. We in Health will continue to work with DPE to support local water utilities to provide safe drinking water to their communities by supporting the implementation of drinking water management systems, supporting fluoridation, free drinking water quality testing and supporting incident response.

**The CHAIR:** Are there any other opening statements?

**AMANDA JONES:** I might just complement what the Department of Health has spoken about. At the Department of Planning and Environment, the Water group works closely with our colleagues in house. There are 92 local water utilities—as you will have heard—and they serve about 2 million people, which clearly is a very important part of the New South Wales population. These local water utilities respond to communities that are in

very diverse circumstances. They have very different capacities, as our colleagues from Health have started to outline, in terms of capabilities to respond to service needs, and they are in a variety of catchments with a variety of water sources available to them.

So, with the department, we work closely with our colleagues in Health. We provide support to local water utilities both in terms of their ability to do strategic planning for integrated water cycle management, to identify the key risks that they have in water and wastewater and to identify the key projects that they might want to seek funding for. We also help to support them in developing business cases for those projects, and we manage the Safe and Secure Water Program, amongst other programs, to support local water utilities. We are very conscious that the support we do provide doesn't address the total need that local water utilities have, but we are working progressively on a risk-based approach through those needs and working with those communities.

**The CHAIR:** Thank you, Ms Jones. I think we will turn first to Dr Holland, who has to leave a bit earlier.

**Dr MICHAEL HOLLAND:** Thank you for attending today and giving evidence. I will never miss an opportunity to bring up something clinical. Firstly, to Dr McAnulty, and on behalf of my colleague Helen Dalton, who has had to leave, she brought up the issue of the potential association between blue-green algae and hotspots of motor neurone disease. She expressed an interest in making motor neurone a notifiable disease. Could you please explain what the consequence of that notifiable disease classification would be and the process of the epidemiology of assessing the association of motor neurone disease with blue-green algae?

**JEREMY McANULTY:** Thanks for the question. Blue-green algae is certainly a potential and real health threat and something taken seriously. That is why there are procedures for mitigating it when it appears in water. Motor neurone disease is a very tragic disease with similar rates in Australia to other parts of the world, the cause of which is under a lot of investigation. As I understand it, there are a lot of different potential exposures being investigated internationally. A clear link between blue-green algae and motor neurone disease is one of those things being investigated but not yet confirmed, I suppose, is the word.

In terms of notification of diseases, generally speaking there are criteria for which diseases are made notifiable by laboratories, doctors, hospitals and childcare centres. Those conditions typically are infectious diseases that generate a response from the public health unit to follow up contacts to further prevent the spread of that disease, but not always. There are other criteria as well. In looking at motor neurone disease, the overview is that it doesn't meet all of those criteria—not to say that it is not an important disease warranting monitoring and research.

There are other ways of monitoring the rates of disease, particularly for a disease like motor neurone disease that has mortality associated with it and a hospitalisation rate associated with it. There is a cost of notification to general practitioners and other doctors who would be required to notify. So there is a balance between the benefits and the risks. The current view is that that balance does not and the benefits would not warrant it being a notifiable disease. But we are looking at that in an ongoing way and also the other data sources that are probably more useful for understanding its incidence and causes.

**Dr MICHAEL HOLLAND:** So, essentially, as a notifiable disease it does not add to any epidemiological study or evidence of the association.

**JEREMY McANULTY:** We don't believe, at this point, that would be a useful addition to understanding it.

**Dr MICHAEL HOLLAND:** And just to clarify for the Committee, what would be a normal process towards forming an epidemiological association of that disease with any other cause?

**JEREMY McANULTY:** Well, it would be a very complex set of research that would need to be undertaken. I am no expert in motor neurone disease, I have to say, but, as I understand it, to be able to determine linkages with any cause—and a serious disease like motor neurone disease—a whole spectrum of research would be required from benchtop, understanding the biology and the plausible scenarios where a toxin might cause such a disease, down to the epidemiological associations between the occurrence of the disease and the level of exposure in the community. They're very difficult studies sometimes to undertake, given that there are, in any population studies, a range of biases that might come into play around the cause and effect.

**Dr MICHAEL HOLLAND:** I have second question, which is not to NSW Health but to the Department of Planning and Environment—Water. It's been identified that there are several very high-risk utilities on the basis of environmental drinking water quality and water security. How many utilities are we looking at in the first place, why have they reached that situation and what can we do to reduce the risk?

**AMANDA JONES:** You are meaning from a water and wastewater—

**Dr MICHAEL HOLLAND:** Yes.

**AMANDA JONES:** I think of the 92 water utilities that we spoke about earlier, there are 347 water supply systems and 465 sewerage systems. The Safe and Secure Water Program is a risk-based program so it deals with the highest risk. Those local water utilities that are ranked highest are eligible first for funding under the program. The program has been running in its current form since about 2018. It is a billion-dollar program and we will have dealt with about 60 per cent of the highest risk towns. Basically, at the moment, from our assessment, there are about 107 town water drinking systems servicing about a million people that face a very high risk in terms of water security—that's not quality; there are about 179 regional town systems servicing about 500,000 people with a water quality risk; and there are about 89 wastewater systems serving about 600,000 people that have a high risk in terms of potential environmental damage. So I am talking systems there and the number of people that they serve rather than individual local water utilities. That's the current assessment.

I think your second question is how did they come to be in this state? I think the answer to that is that since the Second World War there's been a subsidisation by State Government of regional towns in terms of drinking water quality and sewerage schemes. I think there has been quite an investment over time—including the most recent investment of a billion dollars—but you can only deal with a certain portion of the highest risk. I think basically over time you still need to return and reinvest in infrastructure. So it's really that many of the towns that we're dealing with are really small and remote. About 70 per cent of local water utilities only have about 10,000 connections. The Productivity Commission identifies that that's not enough connections for those towns to really recover the costs that they need to cover to have adequate systems in place. It's a combination of those factors that see us with the program of work that we have to do.

**Mr JUSTIN CLANCY:** Thank you to each of you for being here with us today. I appreciate your time. This is perhaps a question for anyone but perhaps Ms Jones in the first instance. A number of stakeholders at the local level today have spoken of the regulatory burden and the challenge with dealing across a number of agencies. I suppose it was best put by the Water Directorate in their submission where they call for a more joined-up, whole-of-government approach: "A streamlined, coordinated, strategic regulatory approach would be very welcome." What steps have been taken to date to try to foster a more coordinated approach? Or, firstly, has government acknowledged that sense coming from the local level? What steps have been taken to date to address that and are there further steps that government could consider in terms of responding to that concern being raised at the local level?

**AMANDA JONES:** Thank you for the question. Yes, we have, over the last two years, been working with local water utilities and the Water Directorate on exactly this issue. We acknowledge that each of the departments have different functions to regulate but we need to be joined up in the way that we deploy that regulation. The department Water group led a town risk reduction program over the last couple of years where we worked with local water utilities to identify the key risks and issues for them, and this, as you state, is one of them. So in, I think, this year it started that there is a regulators' forum to address exactly that issue—that we need to be more efficient and effective in the way that we regulate local water utilities.

We've also, over the last number of years, acknowledged that we need to support local water utilities better in terms of responding to the regulation, from a Water perspective, that we impose. That's why we have started to fund local water utilities to do their strategic planning work. We provide open access to a lot of the water models and other information that we, as a department, hold and we also fund business cases. I might ask my colleague Ashraf El-Sherbini to comment on the progress to date in regard to the regulators' forum.

**ASHRAF EL-SHERBINI:** The forum was established exactly to address this issue. It's to ensure that the relevant New South Wales government agencies that are involved in regulating local water utilities provide a consistent strategic view on what the government is expecting and also are there to support those local water utilities in understanding how to fulfil their regulatory obligations. That's been functioning for some time now and other colleagues can comment on—

**Mr JUSTIN CLANCY:** Sorry, it is difficult to hear Mr El-Sherbini at the moment.

**The CHAIR:** Maybe just pull that microphone forward, Mr El-Sherbini.

**ASHRAF EL-SHERBINI:** I was just mentioning that we've established this regulators' forum to ensure that we are providing consistent advice to local water utilities and that we are also available to support the local water utilities in understanding how to best respond to the regulatory requirements set on them. It really was in response to the feedback that we heard through the Town Water Risk Reduction Program about a local water utility being asked for different things from different government agencies. That's the intent of the forum. We are also continuing to look at ways to improve that. We've put in place this program. We're currently in the second phase of the Town Water Risk Reduction Program. We'll be undertaking a review in the middle of 2024 and

seeking, again, stakeholder feedback on that. So we do acknowledge that and we are definitely working towards addressing it.

The only other comment I'd make before seeing if anybody else wants to contribute is that it obviously is a complex part of the sector with a lot of risks that do need a significant degree of regulation in terms of water quality and health outcomes, and also just making sure that water utilities are supported to respond to the population growth and the climate change impacts in their relevant regions. We are definitely working to make it as efficient as possible but recognising that there will always be a level of regulation from different government agencies that is required, targeting different specific risks.

**Mr JUSTIN CLANCY:** Further to that, in regional New South Wales there is often considered around business support a concierge model. Would a concierge model be part of that consideration?

**ASHRAF EL-SHERBINI:** Did you want me to respond to the concierge model?

**Mr JUSTIN CLANCY:** If you are happy to, yes.

**ASHRAF EL-SHERBINI:** That's definitely something that we would be happy to consider in the review that we will be undertaking next year. One of the things that we did hear from local water utilities and we have implemented is a separation between the role of support that DPE Water provides and the role of regulation that DPE Water provides. There are some times when we are undertaking a clear regulatory function under the Act and that relationship needs to follow a strict procedure, and there are other times when we are supporting local water utilities in achieving a joint outcome. That step has been taken and we have received some positive feedback about the clarity around separating those two. I am happy to take that on notice and make sure that we consider a concierge model.

**Mr JUSTIN CLANCY:** I have a question in regards to the Safe and Secure program. A number of stakeholders have spoken about the benefit of the funding of that program and then a prior witness spoke about looking to review that funding program. My question is, over the life of that program, has there been an opportunity for feedback and to adapt the model through the life of the program?

**AMANDA JONES:** I might comment on that. Yes, there has been. The program has also been subject to audit over time as well. There are about 273 projects that have been funded by the program, and 63 of those projects—worth about \$457 million and servicing 42 local water facilities—have been completed, while 131 projects to the value of \$264 million across 72 water facilities are currently in development. We are discussing about 79 other projects worth about \$290 million with another 50 local water utilities at the moment. They are currently under negotiation. The Government is very conscious that we need to think about what next and what replaces or what improves this program. The department has been asked to look at that at the moment.

**The Hon. MARK BANASIAK:** My question might go to Dr McAnulty. In your opening statement you spoke about operator qualifications. We heard some evidence from our first witness today that said that there actually is no minimum standard for someone that is fluoridating the water or operating that equipment. Do you see that as a deficiency in this space in terms of making sure that our water is safe to drink across our regions? Is that an area of improvement?

**JEREMY McANULTY:** I might defer to Dr Byleveld.

**PAUL BYLEVELD:** In the case of drinking water fluoridation, which comes under the Fluoridation of Public Water Supplies Act, an operator must be certified by NSW Health. In most instances, the operator completes a short TAFE course and then practical supervision working at their water treatment plant or another water treatment plant before they are certified. I perhaps would defer to the Department of Planning and Environment on the question of operator qualification more broadly, other than fluoridation.

**AMANDA JONES:** There is no doubt that the availability of qualified and experienced water treatment operators is an absolute issue for regional local water utilities. We have identified that over the last couple of years. On our website you will find a training needs plan as well as a training needs analysis. We currently have 900 free training places available for water operators. We have estimated we need about 2,000 across the State over the next couple of years. The real challenge with the skill is that, if you're going to get more money paid to drive the local grader, you're going to do that rather than take on the job of being the water operator, which is actually a very responsible job.

If you're testing river water and deciding whether to change between that and bore water and getting your fluoridation right, driving the grader for more money might look like a better opportunity. We are really very conscious and working with local water utilities on this issue. We're providing the training spaces and we're trying to encourage people to have the training, have the certification and look at this as an opportunity for a career. But, unfortunately, it's not a trade, so it's paid more lowly than many other jobs available in the council. Some councils

have decided to pay more for water operators to make sure that they can retain and attract the right skills, but obviously that's a capacity to pay issue for some councils.

**Ms STEPH COOKE:** There's been a lot of discussion today that operating sewerage treatment plants and water treatment plants is highly complex and a high-risk area. What are the penalties for local water utilities for noncompliance? What happens if they just don't comply with standards or the like?

**AMANDA JONES:** If it's a pollution incident and a sewerage treatment plant not meeting its licence conditions, that's actually regulated by the EPA. It would need to be wilful damage, is what I would understand, rather than merely negligent or rather than accidental.

**Ms STEPH COOKE:** Understood. Are there any penalties from a Health perspective? Take the fluoridation, for example. If there's noncompliance in that space, what are the penalties?

**PAUL BYLEVELD:** There are powers available under the Public Health Act and under the Fluoridation Act. The approach that NSW Health takes is to work with local water utilities to protect the health of the community and to ensure that the best service possible is provided. It's not a normal approach for NSW Health to seek to take enforcement action against a local water utility. It may be, if we're concerned about the health risk, that we advise that the utility should issue a boil water alert or another warning to the community while that matter might be rectified, or at times, because there is a difficulty complying with the fluoridation requirements, that the fluoridation plant ceases operating while it's rectified or operators are trained or whatever the need is. That's the approach that NSW Health will take generally.

**AMANDA JONES:** The complementary support provided by the Water group is that we do have a number of engineers and technicians who do go to regional towns on occasion—such as Walgett, in recent times—to assist in actually rectifying a situation.

**BRETT WHITWORTH:** Ms Cooke, I can give maybe a counter perspective that we're also talking about local water utilities that are run by councils. Councils are the third tier of government and they are elected by the local community to provide services for the community. If the service is not as per what the community is expecting, then the local councillors are responsible to their community to address that deficiency. At the same time, the councillors need to have a conversation with their community about what service level expectations they should have and how the council can meet those expectations, particularly in terms of the public value discussion.

When I'm making this comment, I'm talking probably more about the provision of town water to areas where you may not have the level of density for the supply of suitable town water. In those circumstances, the councillors need to have the conversation with the community as to whether the community is prepared to accept a higher level of cost in order to receive those services. I'm not coming at it from a regulatory "If someone does something wrong there's a problem," but more, "What are the expectations that the councillors have in providing that service to their community?"

**The CHAIR:** I have a couple of questions for Ms Jones, probably. Ms Jones, given the complex operating models that we've been talking about of local water utilities, would simply extending the protections that were put in the Constitution Act for Sydney Water and Hunter Water be appropriate or would there need to be a different or more nuanced approach to protect rural and regional councils from water privatisation?

**AMANDA JONES:** I think that, at least in terms of water quality and wastewater services, the risk is more about having a sustainable operating model and support model for local water utilities. I don't think it's so much a constitutional issue as us figuring out a more sustainable approach for the future that councils might want to opt into if we were able to provide, particularly for councils in central and western New South Wales that are servicing quite small populations in remote areas and the cost of being able to run those services that are higher than the communities can afford to pay. I think between us looking at the second-tier water program, as we've been asked to consider, and its next phase and thinking about a more sustainable operating model to help support local water utilities—because, as I mentioned, we already have that support service within the department—if we can do that more effectively that might be the appropriate solution in terms of improving water and wastewater services to those communities.

**The CHAIR:** Are there things that we should be thinking about in terms of ensuring any legislative prohibition—for example, on privatisation—doesn't put at risk partnerships with the private sector that are quite legitimate and necessary outsourcing, bringing in staff and services to meet shortages and things like that?

**AMANDA JONES:** I think it would not help if there was any constraint on the ability to get assistance from private sector resources. In the case of Walgett, the local plumber has stepped up, for example, and we're not talking obviously a big company here. We're talking being able to have the services of a local plumber to supplement the one trainee in the town who's prepared to do the certificate and perhaps take on the water operator

role because the man who's been doing it for a long time is retiring. I just think you don't want to cut off the opportunity to have a mixed set of resourcing to respond to the town's needs.

**The CHAIR:** Yes. In terms of any possible legislation, is that a matter of identifying the principles that you want to put into place to let councils do those sort of things, and then I suppose draft instructions to the drafter to produce words that would meet that objective?

**AMANDA JONES:** I think it might be. It's really for, I guess, the Government and the parliamentarians to consider what policy you might want to put into legislation, but I would agree with you that it would be a mistake, I think, to limit the options that local water utilities might have to draw on in terms of services in the towns.

**BRETT WHITWORTH:** Chair, can I also add, from a financial perspective it would be important to ensure that councils wouldn't be disadvantaged in terms of their ability to identify local water utilities as assets on their balance sheets in order for them to use those assets in a way that they could, for example, receive loans and so on to provide other services. I think it's important to make sure that there's a degree of flexibility there. This is in no way an argument for privatisation, but it's a recognition that councils are independent financial entities that need to have the degree of flexibility to manage their balance sheets appropriately.

**Mr JUSTIN CLANCY:** Further to the Chair's question, Ms Jones, you mentioned then that that's a matter, rightly so, for Government. Just for my clarity in terms of the Constitution Amendment (Sydney Water and Hunter Water) Bill 2023, DPE Water wouldn't have had a role to play in any of the policy formation or consultation around that particular legislation?

**AMANDA JONES:** No. It wasn't legislation we were involved in, apart from, I think, if our Minister had a question. We would have supported her in that.

**ASHRAF EL-SHERBINI:** Correct.

**AMANDA JONES:** But, no, we weren't architects of that legislation, no.

**Mr JUSTIN CLANCY:** Sorry, Ms Jones—and, again, sorry it's audio—you just said, "apart from", and then I didn't quite hear you there.

**AMANDA JONES:** We were not architects of that legislation, no. I'm agreeing with you and we would have provided our Minister advice, if she had a question about, perhaps, its impact on the State-owned corporations. But, no, we weren't drivers of that legislative change, no.

**Mr JUSTIN CLANCY:** And that advice wasn't sought?

**AMANDA JONES:** Sorry, what advice wasn't sought?

**Mr JUSTIN CLANCY:** Sorry, and that advice wasn't sought? You said you could have provided advice.

**AMANDA JONES:** Advice about impacts on State-owned corporations—yes, we would have provided to our Minister but that was in response to the legislation proposed. We didn't develop the legislation. We weren't promoting the legislation, no.

**Ms STEPH COOKE:** I have a follow-up question for Ms Jones. You said earlier today that you had been asked to have another look at the Safe and Secure Water Program and what's next. What timings do you see around that for your department?

**AMANDA JONES:** It will be sometime during next year. We've also asked the Productivity Commission to look at the financial viability of local water utilities and that work should be completed in the middle of next year, so we really want to bring all of this work together to consider.

**Ms STEPH COOKE:** Okay. There'll be some work that will be undertaken in parallel?

**AMANDA JONES:** Yes, correct.

**Ms STEPH COOKE:** But, ultimately, you'd like to see that final body of work from the NSW Productivity Commission to dovetail in with your response in that respect?

**AMANDA JONES:** Correct, yes.

**The CHAIR:** I thank all the witnesses for attending. I note that you'll each be provided with a copy of the transcript of today's proceedings for corrections. I don't think there were questions on notice, but if there were, we'd like them answered, if possible, by 12 January. That concludes our public hearing for today. I again place on record my thanks to all the witnesses who appeared today. In addition, I also thank Committee members,



Committee staff, Hansard and staff of the Department of Parliamentary Services for their assistance in the conduct of the hearing. Thank you very much.

**(The witnesses withdrew.)**

**The Committee adjourned at 16:30.**