



WATER SERVICES  
ASSOCIATION OF AUSTRALIA



# RESPONSE TO THE PRODUCTIVITY COMMISSION'S DRAFT REPORT

National Water Reform



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## WSAA recommends

- The Commonwealth and States negotiate a new National Water Agreement to progress urban water reform
- The Agreement should contain an incentive framework with funding for state governments linked to urban water reform milestones. This recognises the national economic benefit flowing from increased productivity and broader performance improvements in the urban water sector
- At a minimum the Agreement should commit to:
  - Minimum standards for economic regulation
  - A recommitment to the corporatisation model, providing additional independence, commercial discipline and enhanced transparency and accountability to customers
  - National review specifically examining where or whether competition could benefit customers in the urban water sector
  - Integration of the urban water cycle, including stormwater and flood management planning into the urban water governance. Institutional and physical structures together with a sustainable funding and pricing framework should be developed
- There should be a new national oversight authority created to lead and monitor the agreement. The remit of the national authority should be:
  - advocacy, education and promotion of collaboration in water reform;
  - independent monitoring of progress in implementing agreed reforms and publicly reporting on progress annually;
  - identifying potential areas of competition reform across the water industry;
  - making recommendations to governments on implementing Integrated Water Cycle Management, other regulatory reforms and progress in meeting the Sustainable Development Goals
- To reflect the role of urban water as core economic infrastructure critical to the productivity of cities, WSAA recommends that within the Commonwealth Government water should be the responsibility of the infrastructure minister or the minister responsible for urban infrastructure.

WSAA is pleased to provide a submission commenting on the Commission's Draft Report on national water reform. This submission directly addresses the Draft Report findings and recommendations. However, it builds on the analysis in WSAA's original submission to this inquiry and its previous publications on water reform. It does not repeat the analysis or recommendations in previous work and should be read in conjunction with that work.

The Draft Report's central recommendation is that the Australian, State and Territory Governments recommit to a renewed National Water Initiative. In part it should:

Significantly enhance policy settings to ensure:

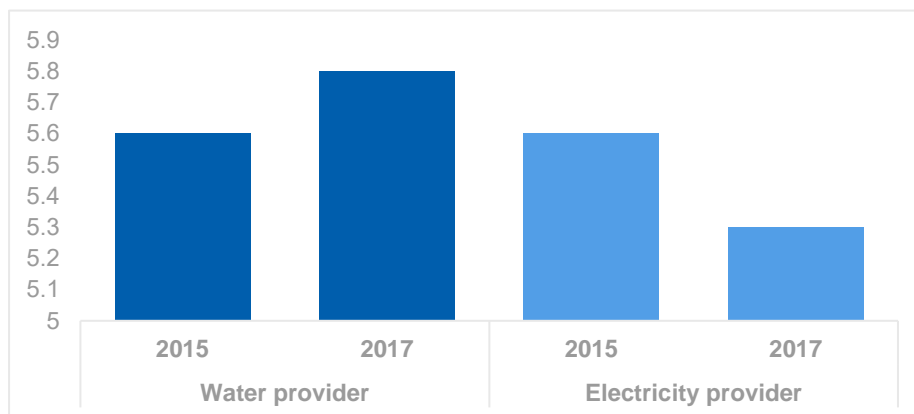
*"Urban water management to ensure innovative and efficient provision of services in the future under the combined pressures of population growth and climate change."*

WSAA strongly agrees with the need for a new national water agreement covering the urban water sector.

However, the Draft Report risks fuelling a sense of complacency. It overstates the progress that has been made in urban water reform under the National Water Initiative and, consequently, understates the task ahead. Trust levels in the water sector are high compared to energy (Chart 1).

With the necessary attention to reform urban water need not become the energy crisis of tomorrow. The origins of poor policy in urban water are different from the origins of poor policy in energy. However, the impacts on customers will be the same.

Chart 1 - Customers' trust in their water and electricity provider



Source: WSAA Customer perceptions survey

In October 2017, the Productivity Commission (PC) released a bold report to kick-start Australia's productivity (Shifting the Dial Productivity Review). The report sets out the urgency and necessity of further reforms across all sectors of the economy to boost Australia's productivity. Its comprehensive reform package pushes into sectors including health, education and transport.

WSAA considers that this reform narrative and ambition need to be applied to the PC's report on National Water Reform. The urban water sector manages core economic infrastructure valued at over \$160 billion. It is critical to the productivity of our cities and towns while playing a key role in enriching people's lives and protecting urban environments.

WSAA recommends that in the final report the Commission should expand its analysis to set out:

- The case for urban water reform and the urgency for a new round urban water reform
- The objective, coverage and content of a new national water agreement
- The implementation pathway and oversight for the agreement.

## The case for a new national agreement

Water utilities are transforming their businesses to place their customers at the centre of all their activities. This means reducing costs, deeply engaging with customers and delivering services they value and most importantly, can afford.

However, much of what utilities do is governed by the planning, policy and regulatory environment in which they operate. Unfortunately, this environment has not evolved to meet current challenges. It is undoubtedly weaker than it was 15 years ago and the PC's last Inquiry into Australia's Urban Water Sector in 2011, nor the far-reaching recommendations of the National Water Commission (before it was 'decommissioned') have been able to arrest the slide.

### Box 1 - Impacts of Climate Change

Most Australian and New Zealand water utilities have already experienced stresses caused by climatic extremes. As global temperatures continue to rise, urban and rural water utilities are faced with the risk of increasingly severe and frequent disruptions to service provision, rapidly increasing costs and degraded and stranded assets. 'Natural disasters' such as floods, droughts and bushfires have been more frequent and extreme with records broken every year. The 2006–2016, for example, the 11-year mean temperature was 0.56 °C above average—the second-highest on record. Seven of Australia's ten warmest years have occurred since 2005.

There is uncertainty around the extent and frequency of extreme events and climate change. In this environment, investment decisions by water utilities have costly implications for current and future generations.

Adaptation to the extreme climate and weather events experienced in Australia and New Zealand has already cost the urban water industry millions of dollars. With 70% of the water industry's infrastructure underground, replacements and maintenance are expensive and difficult. For example, asset failure due to fatigue or ongoing degradation may lead to increased renewal and replacement cost or even catastrophic breakdowns.

In the urban water sector, the Draft Report recommends that further reform is required to 'address future growth in Australia's major cities and the impact of climate change.'

WSAA agrees with this assessment. Given the scale of the future challenges facing the urban water sector, such as climate change and extreme events (see Box 1), urban growth, and liveability of our cities and regions, WSAA considers that national government leadership will be the key to unlocking water utility reform. However, the final report will need to provide more detail on the case for a national agreement for urban water if it is to be compelling to those outside the industry.

Many of the challenges the industry faces in servicing its customers and the community better, coalesce around servicing new growth. Rapid growth reveals the impediments in current arrangements for planning and funding new services, allowing for new entrants, and delivering integrated water cycle solutions (Box 2 sets out the dimensions of the challenge).

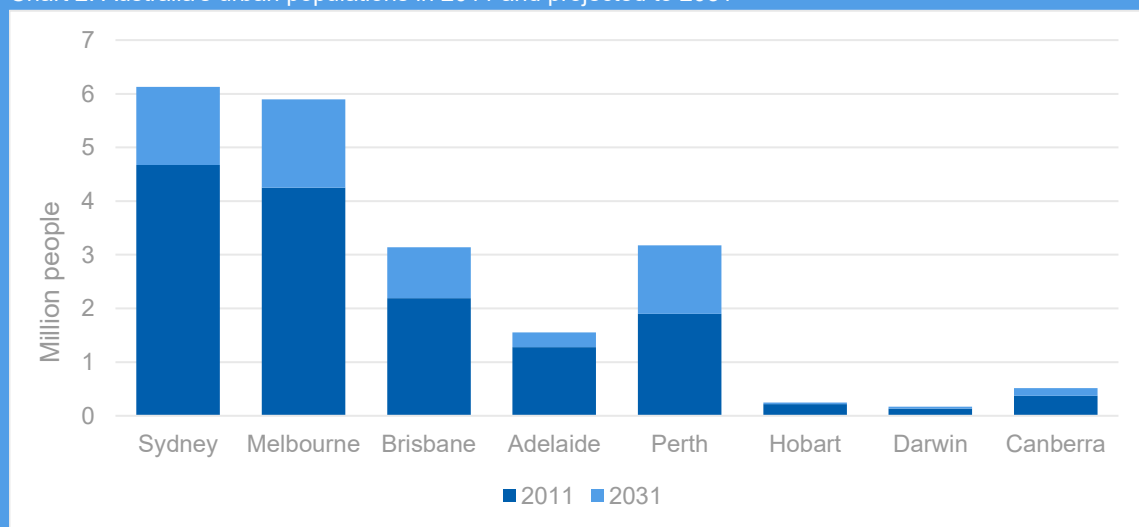
The final report should draw attention to the urgency for a new round of urban water reform. Substantial capital investment will be required to meet the water and wastewater needs of our growing cities, this will ultimately be funded by customers. Unless this is effectively addressed, customers could be exposed to rising bills over coming years.

An underlying shift is required to move away from the current planning model to one where water utilities are encouraged to be a more active part of planning for growth in our cities.

### Box 2 - The Growth Challenge

Medium level projections from ABS show Australia's population growing from 22.3 million in 2011 to 30.5 million in 2031. The majority of this growth is projected to be in Sydney, Melbourne, Brisbane and Perth, growing by 5.9 million people to 18.6 million in 2031. Population growth drives a rising demand on our infrastructure services.

Chart 2: Australia's urban populations in 2011 and projected to 2031



Source: Australian Bureau of Statistics (2013)

This growth will impose additional demands on urban infrastructure which is already under pressure. As was stated in Infrastructure Australia's Australian Infrastructure Plan earlier this year:

*“Growing communities need places to live, work and enjoy our great Australian way of life, placing pressure on existing infrastructure networks. But if we plan for this growth now, we can further develop our cities as thriving, world-class centres of growth and prosperity.”*

The Australian water industry needs to be primed to support this growth and the prosperity of all cities and the people who live in them. In their Price Plan 2016-20 Sydney Water states that currently *“the cost of servicing greenfield lots is on average 5-6 times higher than for servicing infill lots”*.

This needs to be addressed through a national, whole of government approach to address key issues, reconciling concerns for housing affordability and supply, with the need to ensure this is provided efficiently with better outcomes for all.

WSAA's view is that to address the growth challenge, a holistic and collaborative approach is required. An integrated approach that focuses on optimising outcomes across the whole of

the urban water cycle, and all sectors involved in urban planning and development, will have overall long-term benefit to customers, communities and regions. Facilitating integrated planning and encouraging organisations to think outside their silos to address issues and realise opportunities will be an important step into unlocking shared value. Drawing in the links with the Smart Cities Plan and National Performance Framework for Cities together with the work of Infrastructure Australia provides the necessary links to those outside the industry.

Part of the problem stems from the failure of the Draft Report to draw a distinction between the performance of the NWI in delivering reform to water for agriculture and mining in comparison with urban water. The Commission concludes that past reform has been successful but more remains to be done. While this may be true of the rural components of the NWI — which comprise the bulk of the Initiative, it overstates the impact of the NWI on urban water.

As WSAA argued in its first submission, the current NWI has not facilitated the evolution of institutions governing urban water to best place it to meet our growth challenges. This has resulted in a 10+ year hiatus in reform. A frank recognition of the limitations of the current initiative must form the starting point for future reform.

The final report should recognise:

- The National Water Initiative has not effectively driven reform in the urban water sector
- States have not been able to independently or consistently address the common challenges facing the industry. Arguments that individual state action and experimentation drives reform may apply to some industries, but this has not been the experience in urban water.
- Over the period of the NWI there has been significant slippage and backsliding against the original reform program of the 1990s. The previous National Water Commission documented many of these trends and more recent proposals in Tasmania and South Australia are well documented.
- The industry has itself moved towards a customer centric focus for its services, and has been exploring the creation of community value through its contribution to liveable communities. WSAA recommends that the final report should recognise this shift and move away from a language of ‘users’
- The broader community value created by the urban water sector is well documented in our two recent reports Next Gen Urban Water and Urban Water’s role in the Sustainable Development Goals which is a framework we believe could be promoted through a new urban water agreement.

Failure to carry through with a national reform program mean that it is will be more difficult and is likely to be more costly for the urban water industry meet the challenges posed by rapid urban growth and climate change.

Customers should not face price spikes because planning, environmental, and economic regulation individually do not meet best practise, or because they exist in separate silos without proper integration. The liveability of our cities should not be compromised because urban water is not given a seat at the planning table.

# The reform hiatus is fuelling a number of concerns

## Economic regulation

Economic regulation across Australia does not meet best practice. As noted by the Commission, coverage across jurisdictions is increasingly patchy. However, beyond coverage there is a need for economic regulation to be modernised to ensure it meets the long term interests of customers. Table 1 summarises WSAA's assessment of economic regulation against the best practice principles it released in 2015. While there is an element of subjectivity in this assessment, it suggests that most jurisdictions have work to do.

Table 1 Economic regulation - WSAA's assessment against best practice principles

	NSW	VIC	QLD	WA	SA	TAS *	NT	ACT
The regulator has deterministic power to set prices or revenue	●	●	●	●	●	?	●	●
Regulator's key objective is the long-term interests of consumers	●	●	●	●	●	?	●	●
Establishing incentives for productivity and innovation	●	●	●	●	●	?	●	●
Assessment of financial viability to protect the long term interests of customers	●	●	●	●	●	?	●	●
Strong and transparent customer engagement within the regulatory framework	●	●	●	●	●	?	●	●
Merits review part of the regulatory framework	●	●	●	●	●	●	●	●

\* A Legislative Council Select Committee are currently undertaking an inquiry into the ownership of TasWater including the governance and pricing setting arrangements.



## Governance

Governance issues arise periodically – the Commission has documented concerns with the proposed legislation in Tasmania — which weaken focus of utilities to deliver for customers and their communities.

WSAA supports the Commission's findings and recommendations in relation to greater transparency, accountability and collaboration for local water utilities in regional areas. The use of Community Service Obligations to provide greater transparency and accountability is supported.

## Competition

In contrast to the rural sector, there has been little or no advance to urban water markets or competition over the last ten years. There is still a poor understanding of the role competition can play in urban water or the frameworks necessary to ensure it benefits customers. This is causing friction and uncertainty for the public and private sectors. In NSW the Water Industry



Competition Act was passed in 2006, yet more than 10 years later a competitive framework is far from complete.

A national competition framework, allowing flexibility for local situation is recommended.

## **Integrated Water Cycle Management**

The absence of suitable frameworks to advance Integrated Water Cycle Management (IWCM) is another manifestation of the stalled agenda. In the current regulatory environment, it can be a challenge for utilities to justify IWCM approaches. IWCM is generally assumed to be higher cost, and while this can be true, it can also lead to significant savings. This approach can also provide considerable additional benefits, but without a suitable policy framework that incorporates all benefits these are not always recognised (e.g. wellbeing, amenity, cooling, etc. Box 3 sets out the links between urban water and health). As IPART notes in its 2017 determination of prices for wholesale water and sewerage services "...IWCM and recycled water supply are not benefits or 'ends' in themselves. Rather, they can be means of achieving a range of objectives, which are largely related to environmental protection and enhanced liveability..."

### **Box 3 - Australia's Obesity Epidemic**

Australia's increasing rate of obesity is a major public health issue, involving people across ages and socioeconomic groups. Figures released on 25 October 2017 by the Productivity Commission demonstrate the seriousness of Australia's health problems and the impact they will have on our productivity in the future. The Shifting the Dial Productivity Review states that 4.9 million Australian adults (nearly 30% of adults) are obese and 11.7 million people have no or low exercise levels (2 in 3 adults).

In its Urban green spaces and health report released in 2016, the World Health Organisation Regional Office for Europe stated that:

*'Recent evidence shows that urban green space has health benefits.....While details of urban green space design and management have to be sensitive to local geographical and cultural conditions, the need for green space and its value for health and well-being is universal.'*

Urban water businesses are in a unique position to contribute to green space, amenity, waterway health and recreation. With the link between green spaces and improved health outcomes becoming clearer, urban water businesses are seeking to deliver outcomes beyond their core services.

To encourage this further, the role of water needs to be recognised in the strategic or early planning of cities and regions. In addition, WSAA recommends regulation be adapted to allow water businesses the flexibility to respond to their customers' needs and preferences, particularly in regard to providing 'value add' services.

IWCM should be framed as part of a holistic planning framework to achieve overall growth objectives for a region, not an additional, discretionary spend for 'nice to have' benefits. Along with many WSAA members, we recommend the development of national guidelines for consistent and robust evaluations of the costs and benefits of IWCM. This would help utilities to be able to demonstrate where IWCM is valuable.

This would include guidance on economic and financial analysis; methods for quantifying and monetising externalities (who benefits, and who pays for, servicing that provides broader social, environmental and economic outcomes for regions and communities).

## **Stormwater**

The recent Senate Inquiry into Stormwater Management in Australia documented the challenges and lost opportunities in bringing stormwater into the total urban water environment and we have voiced the need for institutional, funding and pricing reform to be developed. WSAA strongly recommends this area as a top priority area for reform to enable holistic, robust and consistent IWCM plans. We agree there is no magic fix in this area, however it's a journey that has already started in many jurisdictions.

## **City Deals**

Further, the Federal Government has recognised the need for a greater focus on integrated infrastructure and land use planning through the development of its Smart Cities Plan. Around 80% of Australia's GDP is generated through cities and major urban centres and the Cities (see submission from Prime Minister and Cabinet to the House Standing Committee on Infrastructure, transport and Cities). Ensuring the City Deals are compliant with a new reform agreement must be a strong priority at a Commonwealth level. Any agreement should explicitly recognise the need for 'all options to be on the table'.

## **Sustainable Development Goals**

Since the release of the Commission's Draft Report WSAA released the paper – Global Goals for Local Communities: Urban water advancing the UN Sustainable Development Goals (SDGs). The paper outlines how the urban water industry in Australia is already meeting challenges set by the SDGs and provides a framework to further advance the industry's contribution.

Pursuing the SDG's is aligned with the reform agenda. As Christopher Gasson, CEO of the respected UK based Global Water Intelligence recently commented:

*'If there is one thing that they (UN) could advocate which would make a real difference to the achievability of the Sustainable Development Goals for water, it is economic regulation. Without it, we will all end up paying a very high price for our cheap water.'*

The SDGs articulate the economic, societal, and environmental challenges that the world is facing. They provide a blueprint to achieve sustainable development through articulation of goals, targets and indicators. These goals present a long-term vision for a better world.

They can provide a useful lens for viewing utility activities to identify opportunities for delivering broader value to customers and communities. Urban water utilities are increasingly placing customers at the heart of their operations, using their preferences to guide investment and delivering value that contributes to the liveability of cities, waterway health and the management of the environment.

The framework the SDGs provide gives an understanding the contribution the urban water industry is making now and can make in the future, providing a language to communicate and report strategies, goals and activities that serve all.

The SDGs provide an opportunity to frame a new National Water Initiative that aligns with wholistic global goals for a better future, with indicators that can be used to understand our contribution beyond our immediate contribution in the day to day.

## The elements of a new national agreement

WSAA recommends that the final report should flesh out the detail and pathway for a new national agreement. The current recommendation for a recommitment to the National Water Initiative invites more of the same, and risks repeating the failures of the past.

Greater detail is necessary on the form and content for the agreement. WSAA has previously set out its views on both these elements.

### Form of a new national agreement

The contrast between the success of the 1990s reforms in urban water and the limited impact of the NWI illustrates the success factors for a national approach.

- There needs to be binding agreement between the States and the Commonwealth
- The agreement should set out measurable commitments and milestones to be met by each jurisdiction.
- The agreement should contain incentives for compliance and sanctions for non-compliance.
- The Commonwealth and States should develop a reform incentive framework with funding for state governments linked to urban water reform milestones. This recognises the national economic benefit flowing from increased productivity and broader performance improvements in the urban water sector.

Such an agreement is an evolution in the current policy framework, not a revolution. Indeed, the architecture of a new agreement through Council of Australian Governments (COAG) is partially developed as part of governments' response to the Harper review of competition policy. At its meeting of 9 December 2016, COAG leaders agreed the importance of reforms to raise Australia's economic growth potential. The Commonwealth, New South Wales, Western Australia, Tasmania, the Australian Capital Territory and Northern Territory signed the Intergovernmental Agreement on Competition and Productivity-Enhancing Reforms to build future productivity, growth and jobs.

Importantly, the 2016 Intergovernmental Agreement includes clauses on urban water under areas for competition and productivity-enhancing reforms. Specifically:

- Consistent with the NWI signed at COAG in 2004, the Parties agree that water reforms should be developed and considered, with a focus on more efficiently and sustainably securing urban water services.
- The Parties agree that opportunities to promote improved governance, better economic regulation and a better understanding of where competition can be deployed to deliver benefits in each jurisdiction should be examined.

This Agreement also states that “The Commonwealth will provide payments to the States for the delivery of reforms that drive Australia’s economic performance and living standards”.

## **Content of a new national agreement**

Consistent with regulatory and legislative practice the starting point for any new national agreement is its objective. The current NWI does not define its objective and the Commission’s Draft Report has not addressed this issue.

However, the objective is key to the clarity of the agreement, to defining its content and to evaluating its success. WSAA suggests that the Commission seek stakeholder feedback and support to define the objective of a National agreement but considers it should be along the lines of:

*‘efficient delivery of water services to maximise the long term value and security to customers and their communities.’*

There should be a direct line of sight between all the elements of the agreement and this objective. For urban water this means that agreement should address the current gaps in the policy settings (set out above) that are impediments to the evolution of the sector. Among the elements for a national agreement identified in WSAA’s previous work are:

- **Minimum standards for economic regulation** — minimum standards are preferable to either regulatory principles or harmonisation. The requirement to meet minimum standards would raise the bar on economic regulation across all jurisdictions. However, unlike harmonisation of regulations, minimum standards would not constrain best practice or innovation
- **A recommitment to the corporatisation model**, providing additional independence, commercial discipline and enhanced accountability to customers
- **National review** specifically examining where or whether competition could benefit customers in the urban water sector
- **Integration of the urban water cycle**, including stormwater and flood management planning into the urban water governance, institutional and physical structures together with a sustainable funding and pricing framework

More detail on WSAA proposed elements for a new agreement are set out against the Commissions individual recommendations.

## **Implementation of a new national agreement**

Urban water reform needs a permanent national champion. There is a practical requirement for a national agency that is charged with leading reform in urban water alongside the states — and which also provides ongoing and public assessments of individual state government progress in water reform.

The Productivity Commission is Australia’s preeminent advisory body on Australia’s economic performance and community wellbeing. However, WSAA considers that the functions required to oversee national water reform go beyond the Commission’s normal charter. WSAA considers that a new national independent agency needs be established to

oversee a new National Water Agreement. There are a number of precedents for such a national body, the most recent is the creation of the Energy Security Board.

The remit of the national agency should be:

- Advocacy, education and promotion of collaboration in water reform
- Independent monitoring of progress in implementing agreed reforms and publicly reporting on progress annually
- Identifying potential areas of competition reform across the water industry
- Making recommendations to governments on implementing Integrated Water Cycle Management, other regulatory reforms and the Sustainable Development Goals

To reflect the role of urban water as core economic infrastructure critical to the health and productivity of urban communities, WSAA recommends that within the Commonwealth Government water should be the responsibility of the infrastructure minister or the minister responsible for urban infrastructure.

## Comments on Draft Report recommendations

### **DRAFT RECOMMENDATION 9.1 (Recommit to a new NWI)**

WSAA supports this recommendation, see comments above.

The contrast between the success of the 1990s reforms in urban water and the limited impact of the NWI illustrates the success factors for a national approach.

- There needs to be binding agreement between the States and the Commonwealth
- The agreement should set out measurable commitments and milestones to be met by each jurisdiction.
- The agreement should contain incentives for compliance and sanctions for non-compliance.
- The Commonwealth and states should develop a reform incentive framework with funding for state governments linked to urban water reform milestones. This recognises the national economic benefit flowing from increased productivity and broader performance improvements in the urban water sector.

### **DRAFT RECOMMENDATION 9.2 (Implementing the NWI)**

Urban water reform needs a permanent national champion. There is a practical requirement for a national agency that is charged with leading reform in urban water alongside the states — and which also provides ongoing and public assessments of individual state government progress in water reform.

The Productivity Commission is Australia's preeminent advisory body on Australia's economic performance and community wellbeing. However, WSAA considers that the functions required to oversee national water reform go beyond the Commission's normal charter.

WSAA considers that a new national independent authority needs be established to oversee a new national urban water reform agreement.

### **DRAFT RECOMMENDATION 6.1 (Independent economic regulation)**

WSAA supports this recommendation. However, improving economic regulation goes beyond coverage. Where states have adopted independent economic regulation, execution has occurred in varying degrees of clarity and effectiveness. In 2014, WSAA commissioned Frontier Economics to review the economic regulation of the urban water industry in Australia the findings highlight that no one jurisdiction has it completely right. Some jurisdictions meet most elements of a best practice model, but no jurisdiction meets them all.

Minimum national principles or standards would support good practice and promote competition by assisting private entities that seek to operate in multiple jurisdictions. This is intended to raise the bar on economic regulation across jurisdictions not impose a one size fits all framework across the board or constrain innovation.

The elements that would make up a set of common principles are outlined on pg 175-176 of the PC's draft report including:

- Clarifying that the objective of regulation is to promote the long-term interests of consumers
- Ensuring that prices reflect the full efficient cost of services provision
- Providing incentives for utilities to innovate and improve their efficiency
- Considering the long-term financial viability of utilities in regulatory decisions
- Promoting transparent customer engagement
- Facilitating effective competition in potentially contestable parts of industry

**DRAFT RECOMMENDATION 6.2 (Performance monitoring data and competition by comparison)**

The major urban water data collection in Australia is the National Performance Report (NPR). The NPR is a very useful source of information about the water sector. It provides trend data for utilities for around 150 indicators.

However, this data is not generally suitable for benchmarking. WSAA has worked extensively with the data base, and would be happy to discuss further the limitations of the NPR and the difficulty of achieving like with like comparisons with key indicators such as operating costs per property.

The NPR is also showing its age. The 'customer' indicators in particular require revision to convey useful information to stakeholders including regulators, policy makers and utilities/service providers.

**DRAFT RECOMMENDATION 6.3 (System planning)**

WSAA supports adaptive and consistent decision making

Customer engagement is the missing element in this recommendation, decisions like those between decentralised and centralised service delivery naturally emerge and mitigate political interference.

All options need to be on the table, including various forms of potable reuse.

**DRAFT RECOMMENDATION 6.4 (IWCM on an equal footing)**

As above, we agree that all options should be on the table and assessed on equal footing. However, this recommendation is missing the why of IWCM, i.e. we are trying to create resilient systems and communities. The essence of rec 6.3 “decision-making processes are consistent with good planning principles” should form the basis of this recommendation. If a transparent, informed, and rigorous decision process is followed, the way we look at supply and demand could be transformed, informed by the outcomes we are trying to achieve rather than jumping straight to solutions.

**DRAFT RECOMMENDATION 6.5 (Environmental regulation)**

WSAA's Next Gen report showcases examples of how this kind of approach can achieve positive outcomes. As we have shown, more flexibility in the regulatory regime can mean a win win for customers and the environment. We support the finding that environmental

regulations applying to wastewater treatment plants and sewer overflows can be overly prescriptive, and exclude alternative approaches.

This recommendation, however, needs to consider the whole of water cycle, not simply focus on sewage. Stormwater management as a contributor to waterway health should be considered. An outcomes focussed framework for regulation should take into account the entire water cycle, and be flexible enough to be integrated with economic and customer needs.

**DRAFT RECOMMENDATION 6.6 (Local water utilities - Community Service Obligation payments)**

WSAA supports this recommendation.

The water industry needs long term financial sustainability, and we need models that support this. Transparent funding arrangements like CSOs give governments more continuing oversight of investment. This will allow for better consideration of lifecycle costs and a focus on long term sustainability of operations.

**DRAFT RECOMMENDATION 6.7 (Local water utilities- Service delivery through collaboration)**

WSAA supports this recommendation.

We have seen the benefits of collaboration in the formation of ROCs and alliances in NSW and QLD. In our previous submission we outlined in particular the outcomes of the Queensland Water Regional Alliance Program. However, this will only take you so far, it will not solve all the issues.

The focus of this recommendation needs to be on capability and capacity support/building to promote self-sufficiency. This support is best provided by the local larger water service providers in the vicinity – build upon existing relationships. There also needs to be a better understanding and acknowledgement of the relationship building required to establish trust with remote Indigenous communities. A good example of this is the MOU that Cairns has now developed with Yarrabah.



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