

Productivity Commission National Water Reform Draft Report

March 2021



**CENTRAL NSW
JOINT ORGANISATION**

- Bathurst
- Blayney
- Cabonne
- Cowra
- Forbes
- Lachlan
- Oberon
- Orange
- Parkes
- Weddin

24 March 2021

Reference: jm:jb 210324
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Productivity Commission
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Canberra City ACT 2601

<https://www.pc.gov.au/inquiries/current/water-reform-2020/make-submission#lodge>

To whom it may concern,

Re: Productivity Commission National Water Reform Draft Report

Local Government Regional Joint Organisations (JOs) were proclaimed in May 2018 under the NSW Local Government Act 1993. The Central NSW Joint Organisation (CNSWJO) represents over 200,000 people covering an area of more than 50,000sq kms comprising the Local Government Areas of Bathurst, Blayney, Cabonne, Cowra, Forbes, Lachlan, Oberon, Orange, Parkes, Weddin, and Central Tablelands Water.

Tasked with intergovernmental cooperation, leadership and prioritisation, JOs have consulted with their stakeholders to identify key strategic regional priorities. The CNSWJO Strategic Plan can be found here: https://docs.wixstatic.com/ugd/51b46b_31886650ecf546bc916f15e99a733b3e.pdf

The Central NSW Joint Organisation has a strong reputation for its work in water security planning and management forming a Water Utilities Alliance comprising its member's Local Water Utilities in 2009 to progress this work across the Central NSW region. The Alliance has previously been recognised by the Productivity Commission for its innovative programming resulting in cost savings and efficiencies as well as knowledge and resource sharing with the aim being the provision of quality secure and reliable water and sewage services for central NSW communities.

It is understood that the scope of the inquiry is for the Productivity Commission to assess progress towards achieving the objectives and outcomes of the National Water Initiative (NWI). As the NWI was agreed in 2004, the scope of the Inquiry is broader than that explicitly required by legislation. The Inquiry also continues to examine whether the water reforms agreed in the NWI, along with any other subsequent reforms adopted by COAG, are achieving their intended outcomes.

We have closely followed the work of the Productivity Commission in reviewing the National Water Initiative providing a detailed submission to the first round of public consultation in August 2020. We also acknowledge the different approach to the reporting structure which has made the Commission's findings a lot more accessible and easier to analyse. Thank you for that.

We welcome the opportunity to provide feedback on the draft report. In particular we congratulate the Commission on an excellent analysis of and commentary on the many challenges and opportunities that face the water sector nationally, but specifically regional Local Water Utilities.

Recognition that Local Water Utilities are already responding to these challenges is pleasing and that there is a case for updating the NWI to meet future challenges associated with climate change, increased populations and a new respect for the importance of water for community amenity and liveability is supported.

Further, we thank the Commission for addressing the major issues from our submission made in August 2020 that includes the need for:

- effective collaboration on water management at the regional level
- integration of urban water into the strategic framework
- greater transparency and the sharing of modelling with Local Government LWUs
- a funding framework that recognises that access to quality secure water is a basic human right
- scope for a renewed NWI to provide high level guidance, independent evidence-based resources and promotion of rigorous cost-benefit analysis of regulatory changes.
- consideration at the Federal level to enable broader strategic conversations and decisions around productive water, inclusive of environmental water
- better fit-for-purpose consultative processes in place permanently, not just to respond to the current drought emergency
- strategies that better integrate policy, planning, regulatory and infrastructure solutions
- Inter-governmental collaboration with Local Government LWUs on co-design of a fit-for purpose regulatory framework that meets the needs of LWUs in managing their businesses, avoids duplication and onerous reporting and that meets the Government's regulatory needs would enable a conversation about how
- Support by a reformed NWI for best practice monitoring and compliance in the urban water space in regional NSW.

The CNSWJO supports the submission made by Local Government NSW (LGNSW) as the peak body for local government in NSW, representing NSW general purpose councils and related entities. A copy of this is attached.

With reference to the LGNSW submission, the CNSWJO specifically highlights feedback made regarding the following:

- That the Commission seeks to leverage a renewed NWI by working with the ministers responsible for water to ensure that clear links to a renewed NWI are clearly referenced and acknowledged in State and Territory water planning documents. This is particularly needed where the NSW Government is currently developing a State Water Strategy informed by twelve place-based Regional Water Strategies. The concept of inter-governmental collaboration in water management needs to be supported by this alignment.
- Support for the Commission's findings and recommendations in relation to more tightly integrating and coordinating water resource management across different sectors and regions in Australia and the need for a conceptual framework for fit-for-purpose water resource management.
- Support for the Commission's findings in relation to the importance of water planning in a renewed NWI that is more comprehensive, systematic, accountable and that involves effective community engagement, uses the best available data and is transparent.

- Support for the Commission’s recommendation that Australian governments should recommit to best-practice, cost-effective engagement with their communities on all water matters.
- In particular, through this region’s lived experience of the millennium and recent drought, we whole heartedly support the Commission’s advice that there is a need to re-visit the drought response notably in inland regional NSW to ensure that suitable triggers for rebalancing environmental and consumptive shares of water are identified in response to climate change and in preparedness for future extreme drought events.
- Strong support for recommendations regarding the adoption of a risk-based approach to developing and maintaining information and data collections necessary for effective water management. Information about decisions, operations and performance needs to be transparent.

Most importantly we support the recommendations that data surrounding water usage is accurate, reliable and transparent and that data from State and Federal agencies and any scientific and technical support should be made freely available to LWUs to help minimise the cost impacts of developing comprehensive water-related planning documentation.

- Support for the Commission’s findings that a renewed NWI should help to ensure that environmental water (planned or held) is managed efficiently and effectively to deliver agreed environmental outcomes.

It is critical, however, that the priority of water for critical human needs takes precedence in times of climate extremes. This means that agreed triggers need to be put in place that may override environmental water concerns for the duration of any water supply crisis.

- Support for the Commission’s position that a renewed NWI should significantly enhance the urban water reform element to cover best-practice system planning, pricing and institutional arrangements, governance and regulation.

However, we join LGNSW is urging caution that initiatives undertaken in response to a renewed NWI are undertaken in the spirit of transparency and collaboration between all levels of government to ensure the best outcomes for the communities’ local water utilities service.

- Support for the Commission’s recommendation that there be a light-touch of economic oversight of smaller providers and the need for independent oversight is recognised, but again, it is critical that any arrangements that impact on regional LWUs must co-designed with local government to ensure the best possible chance of successful implementation.
- Strong support for the Commission’s willingness to address the issue of the vital importance of government investment in water related infrastructure as this is a major component necessary to help ensure our water security into the future. We support the view that thorough assessment and analysis of proposed infrastructure projects is undertaken and that all investment options should be considered before investing large sums of public money, noting that it could be of benefit to investigate what the true value of water is to regional economies.

We join LGNSW in strongly supporting the current NSW Government plans to build major water infrastructure in response to community calls for greater water security and improved resilience to future drought. We do not wish to see government investment in critical water infrastructure discouraged after decades of under investment in this space.

- We join LGNSW in supporting the need for the Commission to go further in its recommendations regarding government’s responsibility to monitor and ensure appropriate systems are in place to

maintain capability. There is an urgent need to address the acute shortage of Registered Training Organisations (RTO)s and trainers to deliver the vocational education and training (VET) programs required by water utilities, particularly in regional and remote areas. This includes the need for agreement on nationally consistent standards of training for water operators and support for smaller utilities to meet the standard. We also support LGNSW in calling for the Commission to make recommendations to the Australian, State and Territory governments to renew efforts to target rural and regional areas for skilled training and employment programs.

In summary the Central NSW Joint Organisation supports the following recommendations included in the LGNSW submission:

Recommendation 1: That the Commission adopts the proposed expanded and enhanced elements of a renewed NWI as outlined in its finalised report.

Recommendation 2: That a renewed NWI captures the existing related water planning documentation at the State and Territory level.

Recommendation 3: That a renewed NWI provide a recommendation that all related water planning documentation sitting beneath it reference its elements where relevant to help ensure tighter governance.

Recommendation 4: That the Commission's advice regarding a fit-for-purpose framework for water resource management is adopted in the final report.

Recommendation 5: That the Commission's advice with regard to water entitlements and planning is adopted in the final report.

Recommendation 6: That the Commission's final report acknowledges the cost implications in developing plans, particularly at the local level and especially where sophisticated modelling and data is required.

Recommendation 7: That the Commission's final report includes advice that State and Federal government agencies share their data and expertise to assist with local level water planning.

Recommendation 8: That the Commission's final report recommend clearly identified and adopted triggers are put in place where extreme weather events should result in the prioritisation of water for human consumption in any environmental water management plans.

Recommendation 9: Where the CNSWJO Board does not have an endorsed policy position in relation to securing Aboriginal and Torres Strait Islander people's interests in water; in principle support is provided to the LGNSW support for the Commission's findings and advice in relation to securing Aboriginal and Torres Strait Islander people's interests in water and that it should be accompanied by advice on how this can be best supported through the delivery of infrastructure and allocation of the skilled workforce.

Recommendation 10: That the Commission's advice regarding the integrity of water resource management is supported as it is necessary to eliminate ongoing community concerns and scepticism regarding the water resources management despite improvements in transparency made since the introduction of the NWI.

Recommendation 11: That the Commission's advice regarding Urban Water also includes commentary on the importance of close collaboration between all levels of government, including the sharing of resources, expertise and data that is needed to optimise urban water outcomes.

Recommendation 12: That the Commission’s advice on Urban Water also includes advice regarding better integration and coordination between the multiple Federal and State government agencies and authorities with responsibilities related to the management of water.

Recommendation 13: That the Commission’s advice regarding water reform in rural Australia is supported and that it reinforces recent efforts to improve monitoring and compliance of water usage across commercial consumptive usage.

Recommendation 14: That the Commission’s advice regarding investment in water infrastructure be tempered so as not actively discourage government investment in major water infrastructure that will deliver increased water security to vulnerable communities.

Recommendation 15: That the Commission’s advice on knowledge, capacity and capability building include additional advice recommending greater attention be placed by Federal and State governments on the training systems to ensure that they are meeting the needs of skilled employment in regional and rural areas.

Recommendation 16: That the Commission’s advice also includes greater efforts by Federal and State governments to actively encourage skilled training and employment incentives including funded internships and scholarships to help attract skilled workers to regional and rural areas.

The key message for the CNSWJO Board continues to be the need for fit-for-purpose, whole-of-government fully collaborative and place-based strategic water planning and management frameworks that includes urban water with appropriate Local Government representation at the regional level.

Current strategic work by the State and Federal Governments in water is seeing good use of terms such as “co-design”, “collaborative”, “partnership” and “place-based”, however engagement with the region continues to be missing the local and regional input at decision making levels.

We thank the Productivity Commission for their draft recommendations which support our key messages particularly in the areas of water planning, sharing and management in the times of drought. We look forward to reading the final report.

Please feel free to contact either CNSWJO’s Water Utilities Alliance Program Manager, Meredith Macpherson or Executive Officer Jennifer Bennett should you wish to discuss further.

Yours sincerely,

Ms Jenny Bennett
Executive Officer
Central NSW Joint Organisation (CNSWJO)

**Draft LGNSW Submission on -
*Productivity Commission National Water
Reform Draft Report***

March 2021

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1. Opening

Local Government NSW (LGNSW) is the peak body for local government in NSW, representing NSW general purpose councils and related entities. LGNSW facilitates the development of an effective community-based system of local government in the state.

NSW councils are responsible for providing water and sewerage services to more than 1.8 million people in NSW outside the areas covered by the Sydney and Hunter water corporations. These services are provided by 89 council-owned and operated local water utilities (LWUs).

LGNSW provides support and advice to member councils on water policy and industry best practice, as well as representing the views of members to the state and federal governments and other key stakeholders. LGNSW welcomes the opportunity to make a submission to the Productivity Commission review of the National Water Initiative.

This is a draft submission awaiting review by the LGNSW Board. Any revisions made by the Board will be forwarded to the Committee in the form of an updated submission.

2. Background

Under the *Water Act 2007* (Cth), the Productivity Commission is required to undertake three-yearly inquiries into the progress of reform in Australia's water resources sector. This is the second such inquiry. It is assessing the progress of all Australian governments in achieving the objectives, outcomes and timelines of reform directions proposed in the 2004 Intergovernmental Agreement on a National Water Initiative (NWI). Following the consultation and review process, the Commission has issued a Draft Report on National Water Reform making and outlined proposed elements of a new agreement which includes significantly enhanced elements (#) and a new element (*):

A Renewed NWI should be delivered on these elements:

Water resource management

1. Water access entitlements and planning frameworks
2. Water trading and markets
3. Environmental management #
4. Aboriginal and Torres Strait Islander people's interests in water *
5. System Integrity #

Water services provision

6. Pricing and institutional arrangements
7. Urban water services
8. New infrastructure development *

Supporting arrangements

9. Community engagement, and adjustment
10. Knowledge, capacity and capability building

LGNSW Submission on Productivity Commission National Water Reform Draft Report

March 2021

3. LGNSW Advocacy Priorities

This submission is aligned with current LGNSW Advocacy Priorities.

The LGNSW Policy Platform (April 2020)¹ – which consolidates the voices of councils across NSW, reflecting the collective positions of local government on issues of importance to the sector – details six Position Statements relevant to this submission. These are:

- Position Statement 1 (Drought) which calls for improved planning and preparedness for effectively mitigating against the impacts of drought improving the mechanisms for responding to prolonged severe drought. With climate change likely to lead to an increase in the frequency and duration of droughts and impact communities not previously susceptible to drought, LGNSW calls on the State and Commonwealth Government to commit to the substantial investment required to implement drought proofing and water security measures listing them and identifying the triggers for when these measures will be activated. Better and more transparent demand management of river systems and water catchments is also needed to ensure the best possible social, economic and environmental outcomes are achieved, particularly during drought.
- Position Statement 4 (Services in Rural Communities) which calls on the State and Commonwealth Government to accept that rural councils will never be able to fund the basic standard of infrastructure and public services to which all Australians are entitled from its own source revenue. Councils also call for new models for rural and regional infrastructure and service delivery that are built on close collaboration between local, state and federal government.
- Position Statement 6 (Infrastructure) calls for increased funding for infrastructure through Commonwealth and state revenue sharing and grants programs that is also equitable and directed to the areas of greatest need. It also calls on the state and Commonwealth governments to eliminate monopolistic practices by utility network operators (electricity, telecommunications, water and gas) that impose unjustified costs on councils and communities.
- Position Statement 8 (Biodiversity) calls on the NSW Government to review the cumulative impacts of legislation governing land, water and natural resource management, and act to ensure the protection of biodiversity, threatened iconic species, water security, native forests and food security throughout NSW.
- Position Statement 10 (Climate Change) calls on the state and Commonwealth governments to take urgent action to address the climate emergency in a bipartisan manner to make clear, effective and unambiguous steps to avert a climate crisis in NSW. It also calls on the state and Commonwealth governments to work with councils to build climate resilience in their communities and introduce a range of funding mechanisms that would allow councils to build climate resilience in their communities.
- Position Statement 11 (Sustainability) calls for closer coordination between state and local government authorities to ensure all decisions made by these two spheres of government are in harmony and take into account the majority views of residents and the long term environmental, economic and social impact. It also calls for ambitious but

¹ https://www.lgnsw.org.au/files/imce-uploads/581/LGNSW_Policy_Platform_-_April_2020.pdf

realistic policies and practices that promote council, community, industry and government commitment to environmental protection, natural resource management and resource efficiency.

4. NWI Renewal: a refreshed intent

The NWI remains a key element of Australian governments' approach to managing the nation's finite water resources. It has brought a more consistent approach to the sustainable management of water and helped to ensure that it is more fairly allocated across communities and industry. It has helped to deliver increased transparency and accountability for the management of water and improved the consultation and planning around how water is allocated. It has also helped to improve the planning and delivery of important water-related infrastructure.

LGNSW concurs with the Commission's findings that the national water reforms have contributed to material benefits for both communities, industry, and the environment. LGNSW also agrees although much remains relevant in the current National Water Initiative (NWI), there remains scope for continued reform which includes ensuring that a renewed NWI is flexible and responsive to changes in community expectations and climate. We support the Commission's findings that a renewed NWI should place greater emphasis on explicitly planning for and addressing climate change and that increased emphasis should be placed on recognising the importance of water to Aboriginal and Torres Strait Islanders communities.

As such, LGNSW supports the Commission's proposed elements of a renewed agreement as outlined on page 3 of this submission.

Recommendation 1: That the Commission adopts the proposed expanded and enhanced elements of a renewed NWI as outlined in its finalised report.

5. Building in good governance for a renewed NWI

LGNSW supports the Commission's view that good governance for a renewed NWI must be developed and this will depend strongly on buy-in from Federal, State and Territory Water Ministers. This especially needs to be the case given the abolition of the responsible Ministerial Council in 2013 and subsequently the abolition of the National Water Commission in 2014. We agree that this is essential to giving a renewed NWI appropriate status as an instrument that is used to guide and inform policy at the State and Territory level and then further downstream in regional and local government planning documentation and governance structures. The severity of the most recent drought in NSW and other parts of Australia has put water security and water management front and centre in the minds of councils and their communities making good governance arrangements a vital, and welcome, part of the solution moving forward.

Further to the Commission's findings, LGNSW also recommends that the Commission leverage a renewed NWI by working with the Ministers responsible for water to ensure that clear links to a renewed NWI are clearly referenced and acknowledged in State and Territory water planning documents. For example, the NSW Government has recently published draft State and Regional water strategies, but no clear reference has been made in any of these documents to the NWI. Similarly, a renewed NWI should also reference and acknowledge the various State and Territory strategic water plans as well. That these documents speak to each other is also a critical component of the good governance of water policy in Australia as it would demonstrate close linkages between all three spheres of government. Without this level of tight integration, it will give the appearance that the three tiers of government are working independently of each other even if this is not the case.

Recommendation 2: That a renewed NWI captures the existing related water planning documentation at the State and Territory level.

Recommendation 3: That a renewed NWI provide a recommendation that all related water planning documentation sitting beneath it reference its elements where relevant to help ensure tighter governance.

6. Water resource management – a fit-for-purpose framework

LGNSW broadly supports the Commission's findings and recommendations in relation to more tightly integrating and coordinating water resource management across different sectors and regions in Australia. As the Commission acknowledges, current guidelines often target specific areas of water management such as the Murray-Darling Basin and do not cover other areas of water management such as the use of bore water from local and artesian aquifers quite as closely. To this extent, the Commission's proposed conceptual framework for fit-for-purpose water resource management is a good starting point for governments to consider what is the best approach to managing water in any given area of water consumption activity and where this may compete with other demands, including environmental needs. This will also help to increase transparency around water use as well as help to ensure equity and a more sustainable water future.

Recommendation 4: That the Commission's advice regarding a fit-for-purpose framework for water resource management is adopted in the final report.

7. Water entitlements and planning

LGNSW's interests lie more in planning than in water entitlements. We support the Commission's findings in relation to the importance of water planning in a renewed NWI. Planning that is more comprehensive, systematic, accountable and that involves effective community engagement, uses the best available data and is transparent. It also needs to take into better account the needs of Aboriginal and Torres Strait Islanders and that it ensures that environmental objectives and outcomes are clearly specified. It also needs to ensure that trade-offs are made in line with community values and that planning processes include independent review, where possible and feasible. It must also ensure that climate change evidence is used to shape water policy.

In NSW, councils typically address most if not all of these areas in their water planning practices. There were, however, areas in drought preparedness planning that will need to be revisited as the Commission advises to ensure that suitable triggers for rebalancing environmental and consumptive shares of water are identified in response to climate change and in preparedness for future extreme drought events. Councils and LWUs in NSW have no lack of motivation in this regard -- recent experiences that resulted in the trucking in of potable water supplies for many communities that previously thought themselves immune from the effects of drought have forced a rethink on how to best plan and manage water for the future at a local level.

It should be noted, however, that planning documentation and accompanying strategies can be very expensive to prepare given various complexities. Wherever possible, data from State and Federal agencies and any scientific and technical support through outreach should be made freely available to LWUs to help minimise the cost impacts of developing comprehensive water-related planning documentation. Further, as we outline in our response to the chapter on Urban Water, pressure on town water supplies is very high, particularly where faced with population and industry growth. High-level planning with supporting data that can be filtered

through to the local level will be vital in helping to develop more sustainable water resources for future population growth and the growth of industry by the Federal and State Governments will be vital for both water security and securing future economic development and growth.

Recommendation 5: That the Commission's advice with regard to water entitlements and planning is adopted in the final report.

Recommendation 6: That the Commission's final report acknowledges the cost implications in developing plans, particularly at the local level and especially where sophisticated modelling and data is required.

Recommendation 7: That the Commission's final report includes advice that State and Federal government agencies share their data and expertise to assist with local level water planning.

8. Environmental management

LGNSW supports the Commission's findings that a renewed NWI should help to ensure that environmental water (planned or held) is managed efficiently and effectively to deliver agreed environmental outcomes. We support the view that embedding best-use principles in a renewed NWI that provides guidance to environmental water managers underpinned by science and other assessments will help to address the gaps in management practices that were highlighted by the drought in terms of preparedness. However, when it comes to weather extremes of the sort experienced during the recent drought, communities generally expect that town water supply for human consumption takes precedence. This means that agreed triggers need to be put in place that may override environmental water concerns in an extreme water supply crisis. Ideally, the best-practice management and planning approaches identified in other areas of the Commission's Draft Report should help mitigate against this, but it is inevitable that even this will not avert rebalancing water priorities in time of water scarcity. LGNSW, however, supports the view that natural resource management should focus on the protection of key environmental assets, reserves, and refuges, wherever possible, to ensure their regenerative capacity is protected.

Recommendation 8: That the Commission's final report recommend clearly identified and adopted triggers are put in place where extreme weather events should result in the prioritisation of water for human consumption in any environmental water management plans.

9. Securing Aboriginal and Torres Strait Islander people's interests in water

LGNSW strongly supports the securing Aboriginal and Torres Strait Islander people's interests in water in a renewed NWI. Despite the efforts of successive State, Federal and Territory governments, many Aboriginal and Torres Strait Islander communities continue to endure unreliable water supplies and potable water of a similar standard to those delivered to people living in urban water communities. As the Commission correctly identifies, the aspirations of Traditional Owners have also evolved since the NWI was established and that this will require securing entitlements to water for Traditional Owners which will only be delivered through enhancements to current arrangements. Consideration, however, will also need to be given to how the necessary infrastructure and a skilled workforce will be deployed to achieve this. LGNSW also supports the Commission's view that this must be accomplished through co-design and ensuring that natural resource management plans integrate Aboriginal and Torres

Strait Islander people's interests. LGNSW also supports the Commission's findings that these interests are both cultural and economic.

Recommendation 9: LGNSW supports the Commission's findings and advice in relation to securing Aboriginal and Torres Strait Islander people's interests in water; however, this should also be accompanied by advice on how this can be best supported through the delivery of infrastructure and allocation of the skilled workforce.

10. Ensuring the integrity of water resource management

LGNSW strongly supports the Commission's findings and advice in relation to the importance of the integrity of water resource management and approaches to ensuring information and data surrounding water usage is accurate, reliable, and transparent. Water managers through to the various consumers of water all have a shared responsibility to ensure that this vital resource is properly managed and accounted. We support the Commission's advice that would see the adoption of a risk-based approach to developing and maintaining information and data collections necessary for effective water management, that this information and data should be publicly available, quality assurance processes applied to it and that information about decisions, operations and performance is transparent. There is still a relatively high level of community concern and scepticism about the integrity of water resource management despite improvements in transparency. The Commission's advice should help to eliminate concerns in the community and industry around fairness and equitable distribution while also helping to preserve water reserves and its management in times of water scarcity.

Recommendation 10: That the Commission's advice regarding the integrity of water resource management is supported as it is necessary to eliminate ongoing community concerns and scepticism regarding the water resources management despite improvements in transparency made since the introduction of the NWI.

11. Urban water services

The Draft Report correctly identifies and highlights the challenges that the urban water sector is grappling with including specific challenges faced by regional utilities. This includes the complexities of servicing rural and regional towns with smaller populations and communities spread over larger distances. These LWUs face high service provision costs and must manage with relatively small and dispersed revenue bases. It is challenging for these councils to meet the required health and reliability standards. Furthermore, these local water utilities are more vulnerable to drought conditions as was recently highlighted in NSW and elsewhere over the past few years. It should also be noted that there are many communities in NSW where there is conflict between competing uses and town water supplies to existing populations are under severe pressure from productive use. Given this reality, there is a strong argument for greater focus on planning for future growth that isn't as strongly expressed in the Draft Report as it could be. Given forecast population growth, future urban development including the expansion of industries, deeper consideration must be given to how this demand for water will be met in the future given current constraints being experienced with existing populations.

While LWUs in NSW are responding to these challenges within their current capacity, a renewed NWI must strongly lay out the case for NWI meeting the challenges associated with climate change, increased populations, water for industry and a new respect for the importance of water for community amenity and liveability. We welcome the Commission's position that a renewed NWI should significantly enhance the urban water reform element to cover best-practice system planning, pricing and institutional arrangements, governance, and regulation. However, we caution that initiatives undertaken in response to a renewed NWI are

undertaken in the spirit of transparency and collaboration between all levels of government to ensure the best outcomes for the communities' local water utilities service. We also recommend that in the case of NSW, where councils own the local water utilities, that the State and Federal government consider financial and technical support is provided where possible to help deliver ongoing improvements.

Regarding pricing, under Best Practice Guidelines, LWUs in NSW have a responsibility to try to achieve full cost recovery and ideally, provide a positive return on investment to their local council owner(s). However, very few councils receive a return on investment from the LWUs that they operate. This reflects the socioeconomic realities of the communities they service and the costs of delivering services to sparsely populated communities over extensive distances. The challenge is aligning pricing and affordability for communities to pay for services in the absence of economies of scale. The answer is not to have communities living with constant boil water alerts as is the case in other States but rather to carefully manage State and Federal government assistance to communities that need it. Arguably the provision of safe and reliable water is a universal service obligation that needs to be recognised by all levels of Government. From this perspective the commentary and recommendations around Community Service Obligations (CSOs) is welcomed – this will mean continued State government subsidy to reduce prices and onerous costs on consumers in rural and remote areas, but in a way that is equitable, consistent, and transparent.

LGNSW supports the Commission's recommendation that there be light touch economic oversight of smaller providers and the need for independent oversight is acknowledged, but again, it is critical that any arrangements that impact on regional LWUs must be co-designed with local government to ensure the best possible chance of successful implementation.

LGNSW also acknowledges the Commission's recommendation that where councils retain ownership of LWUs, financial separation should be maintained. This has been the practice in NSW for decades where ring fencing of finances is legislated. Similarly, we support the Commission's finding that clear roles and responsibilities will help with integrated system planning – it has been the case in NSW that because water is managed by multiple government agencies without clear coordination and integration between their operations that this has led to ineffective engagement and collaboration with LWUs.

Recommendation 11: That the Commission's advice regarding Urban Water also includes commentary on the importance of close collaboration between all levels of government, including the sharing of resources, expertise and data that is needed to optimise urban water outcomes.

Recommendation 12: That the Commission's advice on Urban Water also includes advice regarding better integration and coordination between the multiple Federal and State government agencies and authorities with responsibilities related to the management of water.

12. Water reform in rural Australia

LGNSW supports the Commission's findings in relation to the impact of rural water reform. It has increased transparency and accountability around water usage by large consumers and delivered greater efficiencies and improved fairness in how water provisions are distributed and allocated. However, as the Commission has found, more can be done to improve monitoring and compliance with water resource management in commercial contexts, and we are seeing steps towards this in NSW with the establishment of the Natural Resources Access Regulator in 2017. Councils and JOs will continue to work with the State and Federal governments to help identify areas where adjustment pressures to prevailing and forecast

water availability could impact local farmers and irrigators and work to identify solutions where the largest benefits to individuals and the community are delivered relative to cost.

Recommendation 13: That the Commission’s advice regarding water reform in rural Australia is supported and that it reinforces recent efforts to improve monitoring and compliance of water usage across commercial consumptive usage.

13. Government investment in major water infrastructure

LGNSW strongly supports the Commission’s willingness to address the issue of the vital importance of government investment in water related infrastructure. This is a major component necessary to help ensure our water security into the future and has suffered from substantial underinvestment in past decades. We also concur with the Commission’s view that new infrastructure development is culturally responsive to the aspirations and needs of Traditional Owners. Similarly, LGNSW supports the view that thorough assessment and analysis of proposed infrastructure projects is undertaken. All investment options should be considered before investing large sums of public money, but it could be of benefit to investigate what the true value of water is to regional economies. The impact of changes to water supply and long-term water restrictions on regional economies and the national economy are undoubtedly substantial and guaranteeing supply could offset any short to medium term investment questions.

To this extent, LGNSW strongly supports the current NSW Government plans to build major water infrastructure in response to community calls for greater water security and improved resilience to future drought. LGNSW does not wish to see government investment in critical water infrastructure discouraged particularly at a time when governments are finally beginning to invest in water infrastructure again after decades of under investment in this space. This appears to be a view supported by Infrastructure Australia and is reflected in its 2021 Infrastructure Priority List. Water security is a major focus of the list and Infrastructure Australia touts the benefits of investing in a more resilient water sector for the future. A comprehensive analysis of the true value of water to regional communities may reveal that the cost-benefit of increasing storage capacity now and into the future will help boost water security – for many drought-affected communities this may represent an investment on which a price cannot be placed.

Recommendation 14: That the Commission’s advice regarding investment in water infrastructure be tempered so as not actively discourage government investment in major water infrastructure that will deliver increased water security to vulnerable communities.

14. Community engagement

LGNSW fully supports the Commission’s recommendation that Australian governments should recommit to best-practice, cost-effective engagement with their communities on all water matters. LWUs, through councils in NSW already have a very strong track record in engaging with communities about the full breadth of issues that affect the liveability of their LGAs. This includes all the services that councils provide, including the supply of potable water or water for irrigation as well as stormwater and sewage arrangements. This occurs through several formal and informal mechanisms. For example, all councils in NSW are required to comply with the NSW Government’s Integrated Planning and Reporting Framework and have been regularly consulting with their local communities and developing plans that reflect community input since it was introduced in 2009. This, however, does not mean that councils that own LWUs cannot continue to improve on the provision of water information accessibility and comprehensibility or community water literacy. As the Commission correctly identifies, community engagement is essential to effective water reform.

15. Knowledge, capacity, and capability building

LGNSW supports the statement that “governments have a responsibility to monitor and ensure appropriate systems are in place to maintain capability”. To this end, more needs to be done to address the acute shortage of Registered Training Organisations (RTO)s and trainers to deliver the vocational education and training (VET) programs required by water utilities, particularly in regional and remote areas. To support a ‘thin’ but critical market like the water industry, greater flexibility is required in the Australian Skills Quality Authority (ASQA)’s rules on trainer requirements to allow more industry-based trainers to work with RTOs. Additionally, more financial incentives are needed to encourage RTOs to deliver water training programs to small markets, such as funding national training resources that are accessible to all training providers. With an ageing water industry workforce, building the skills and capability of a new generation of employees is critical. The current training system is unprepared and inadequate to do this, particularly in regional NSW and Queensland.

LGNSW also calls for agreement on nationally consistent standards of training for water operators and support for smaller utilities to meet the standard. In addition, regional and remote councils (in particular) will need support to meet registration requirements for engineers. Engineers remain the area of greatest skill shortage in local government. Currently, many councils are forced to offer short-term contracts to help cover for longer term positions that can be difficult to fill with appropriately qualified and skilled staff. This is costly and unsustainable. While pooling of council expertise in regions or across Joint Organisations may be beneficial, it is not likely to be a long-term solution to the skills shortage problem.

LGNSW asks the Productivity Commission to make recommendations to the Australian, State and Territory governments to renew efforts to target rural and regional areas for skilled training and employment programs. This could include education and training incentives as well as opportunities for government funded internships and scholarships to help attract and retain skilled workers. Without significant government intervention that is systemic nature, we risk perpetuating a shortage of public works engineers and other skilled labour required to ensure the effective delivery and maintenance of a wide variety of infrastructure, not just the delivery by local government of water services.

Recommendation 15: That the Commission’s advice on knowledge, capacity and capability building include additional advice recommending greater attention be placed by Federal and State governments on the training systems to ensure that they are meeting the needs of skilled employment in regional and rural areas.

Recommendation 16: That the Commission’s advice also includes greater efforts by Federal and State governments to actively encourage skilled training and employment incentives including funded internships and scholarships to help attract skilled workers to regional and rural areas.

16. Conclusion

The National Water Initiative remains a vital component in delivering a harmonised and evidence-based approach to the management and supply of water to communities and businesses across Australia. It has led to increased transparency and accountability along with better planning and consideration of water use in urban design. This has led to greater certainty for investment and productivity by helping to ensure that this finite resource is fairly and equitably distributed in most instances for both consumptive and non-consumptive uses. However, as the Commission’s Draft Report clearly conveys, it is time to reinvigorate the NWI and renew it so that it provides fit-for-purpose guidance to government agencies and water

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managers about how we can best manage water for now and into the future. In particular, we support the introduction of a new element in the NWI to address Aboriginal and Torres Strait Islander people's interests in water and the significant enhancements made to the elements of environmental management, system integrity and infrastructure development. However, in the latter instance, we caution against advice that might inadvertently act as a deterrent to government investment designed to ensure water security for communities vulnerable to the effects of drought.

We would also like to thank the Commission for this opportunity to make a submission on the Draft Report. Notwithstanding the caveats outlined in this submission, we believe a renewed NWI largely as outlined will provide a strong basis towards delivering a more secure water future for Australian communities.

For further information in relation to this submission, please contact S njiv Sathiah, Senior Policy LGNSW,

17. Summary of LGNSW Recommendations

Recommendation 1: That the Commission adopts the proposed expanded and enhanced elements of a renewed NWI as outlined in its finalised report.

Recommendation 2: That a renewed NWI captures the existing related water planning documentation at the State and Territory level.

Recommendation 3: That a renewed NWI provide a recommendation that all related water planning documentation sitting beneath it reference its elements where relevant to help ensure tighter governance.

Recommendation 4: That the Commission's advice regarding a fit-for-purpose framework for water resource management is adopted in the final report.

Recommendation 5: That the Commission's advice with regard to water entitlements and planning is adopted in the final report.

Recommendation 6: That the Commission's final report acknowledges the cost implications in developing plans, particularly at the local level and especially where sophisticated modelling and data is required.

Recommendation 7: That the Commission's final report includes advice that State and Federal government agencies share their data and expertise to assist with local level water planning.

Recommendation 8: That the Commission's final report recommend clearly identified and adopted triggers are put in place where extreme weather events should result in the prioritisation of water for human consumption in any environmental water management plans.

Recommendation 9: LGNSW supports the Commission's findings and advice in relation to securing Aboriginal and Torres Strait Islander people's interests in water; however, this should also be accompanied by advice on how this can be best supported through the delivery of infrastructure and allocation of the skilled workforce.

Recommendation 10: That the Commission's advice regarding the integrity of water resource management is supported as it is necessary to eliminate ongoing community concerns and scepticism regarding the water resources management despite improvements in transparency made since the introduction of the NWI.

Recommendation 11: That the Commission's advice regarding Urban Water also includes commentary on the importance of close collaboration between all levels of government, including the sharing of resources, expertise and data that is needed to optimise urban water outcomes.

Recommendation 12: That the Commission's advice on Urban Water also includes advice regarding better integration and coordination between the multiple Federal and State government agencies and authorities with responsibilities related to the management of water.

Recommendation 13: That the Commission's advice regarding water reform in rural Australia is supported and that it reinforces recent efforts to improve monitoring and compliance of water usage across commercial consumptive usage.

Recommendation 14: That the Commission’s advice regarding investment in water infrastructure be tempered so as not actively discourage government investment in major water infrastructure that will deliver increased water security to vulnerable communities.

Recommendation 15: That the Commission’s advice on knowledge, capacity and capability building include additional advice recommending greater attention be placed by Federal and State governments on the training systems to ensure that they are meeting the needs of skilled employment in regional and rural areas.

Recommendation 16: That the Commission’s advice also includes greater efforts by Federal and State governments to actively encourage skilled training and employment incentives including funded internships and scholarships to help attract skilled workers to regional and rural areas.