



National Water Reform 2024
Productivity Commission
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Dear Commissioners,

Re: SACOSS Submission to the Productivity Commission's 2024 Inquiry into the National Water Initiative

The South Australian Council of Social Service (SACOSS) is the peak body for the non-government community services and health sectors in South Australia, with a long-standing interest in the equitable and efficient delivery of essential services such as water, energy and telecommunications. SACOSS' work in essential services is focused on reducing inequality and ensuring that all South Australians have their basic needs met. Water is one of the most fundamental basic human needs and access to safe, secure and affordable drinking water is critical for our collective health and wellbeing.

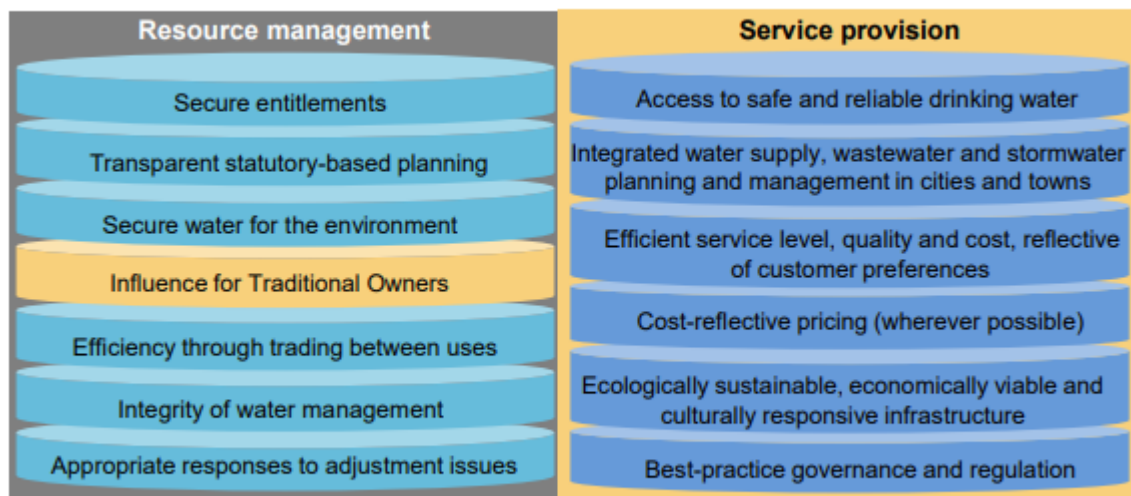
We thank the Productivity Commission for the opportunity to provide input into the National Water Reform 2024 process. While our submission focuses on issues and solutions specifically relevant to South Australia, we believe our commentary will have relevance to other jurisdictions under the National Water Initiative (NWI).

In general, SACOSS supports the findings and recommendations for NWI renewal emerging from the 2020 Inquiry Report. An opportunity to refresh and modernise the NWI goals is necessary and timely. As we continue to grapple with the impacts of climate change, including the potential for a drying climate, more severe and frequent droughts and other extreme events, ongoing attention to water resource management remains critical. We now have a crucial opportunity to turn the focus on improved service provision – especially for people and consumers who are *not* serviced by large urban utilities such as SA Water.

A key element of SACOSS’ Strategic Plan is to seek solutions to “eradicate and reduce poverty, inequality and injustice.”¹ Equity for users of essential services including water is fundamental to our mission. SACOSS believes that NWI renewal presents a particular opportunity to improve service provision for those living in regional and remote areas, including remote Aboriginal communities and others who may fall through the gaps of the various complex arrangements relating to minor and intermediate water retailers.

In this respect, we welcome the suggestions for modernisation presented in findings, recommendations and renewal advice of the NWR2020 inquiry, i.e. to include as priority elements Aboriginal and Torres Strait Islander interests in water, and water service delivery (metropolitan, regional and remote). The substantially expanded set of objectives relating to service provision, as depicted in the diagram below (labelled Figure 3.2 from the Productivity Commission Report 96),² provides a useful framing for this emphasis. However, we believe there should be specific emphasis on the ongoing necessity for adequate regional and remote service provision and regulatory protection of consumers in these areas.

Figure 3.2 Summary view of suggested new NWI objectives^{a,b}



^a Highlighted areas represent new objectives. ^b The Commission’s advice includes additional detail for most of the current NWI water resource management objectives.

Our submission, therefore, provides further commentary relating to SACOSS’ key areas of priority:

- Provision of water services in regional and remote communities;
- Basic level of service; and

¹ SACOSS, [Strategic Plan](#)

² Productivity Commission 2021, [National Water Reform 2020, Inquiry Report no. 96](#), Canberra, p. 53

- Urban water pricing arrangements

Regional and remote communities

The water supply arrangements for residents of remote towns and communities in South Australia is inequitable, leading to significant costs and debts for many households and communities in the state. Currently, residents in communities and towns not supplied by SA Water face significantly higher drinking water tariffs as they fall outside the ‘state-wide pricing’ policy that applies to SA Water.³

The SA Government’s state-wide pricing policy means that most customers pay the same price per kilolitre of water across all metropolitan and regional areas in the SA Water network. However, while the provision exists for the State Government to extend this policy to small providers, it currently does not – meaning that communities reliant on other providers are potentially subject to very high water prices. There is currently no alternative scheme to subsidise water as there is for electricity,⁴ and fragmented arrangements for delivery of remote and regional water services contribute to policy inconsistencies.

These communities face specific issues and challenges regarding the provision of water services, including small economies of scale, poor water sources, ageing infrastructure, and high operating costs. There are also inconsistencies in rules and governance, and a lack of clarity on roles and asset ownership.

Under current arrangements, an SA Water customer living in Whyalla would pay around \$2.126 per kilolitre for drinking water, whereas households in Coober Pedy currently pay \$8.36 per kilolitre – nearly four times as much as an SA Water customer.⁵ Similarly, households supplied by the Ceduna Kooniba Water West Scheme pay \$5.20 per kilolitre if living outside the town boundary, and \$4.76 per kilolitre if within – more than double the amount paid by an SA Water customer. Put simply, water is unaffordable for residents of these townships and communities, and accrued debt has become insurmountable. Debt levels not only have invidious impacts on households – leading to water restriction, but also calling into question the viability of small-scale water retailers, often local councils.

³ The Essential Services Commission of South Australia’s [performance summary for 2021-22](#) indicates there are 70 small-scale networks licensed under the *Water Industry Act 2012* providing drinking and non-drinking water services to 10,498 connections, and sewerage services and Community Wastewater Management Systems (CWMS) to 105,133 connections.

⁴ SA Department of Energy and Mining, [Remote Area Energy Supply](#)

⁵ See District Council of Coober Pedy, [Water information](#); SA Water, [Residential water prices](#)

Case study: Umoona community

The stark inequities facing remote water consumers is illustrated by the problems experienced by the Aboriginal community at Umoona, in South Australia's far north, which has been dealing with a range of interconnected water service provision issues for decades. Water to the community is supplied by the District Council of Coober Pedy, via a bulk water reselling arrangement at Tier 1 rates. The water selling arrangement does not fall within the definition of 'retail service' under the *Water Industry Act 2012*⁶, which means members of the Umoona Community are not covered by the important consumer protections frameworks in this state.

The very high historical prices of water for Umoona, along with infrastructure problems like undetected leaks, have led to a water debt for the community of (at one point) up to \$317,837.⁷ SACOSS has been working collaboratively with the Aboriginal Lands Trust and the state Department of Environment and Water to progress a solution to these ongoing issues. While there has been considerable progress in this regard, these problems highlight broader ongoing concerns with complex and ad-hoc water service provision that may exist in a regulatory grey area.

A 2021 report commissioned by SACOSS, *Falling through the gaps: A practical approach to improving drinking water services for regional and remote communities in South Australia*,⁸ highlights significant ongoing challenges for regional and remote communities. Solutions to these require a prioritisation of these issues by governments. While current legislation does not present a barrier to improving services, it is critical that government focuses on those currently 'left behind'. To this end, much work must be done to improve regulatory arrangements, and provide oversight and leadership that will achieve material improvements.

A safe, secure and affordable supply of water to everyone – including those in regional and remote communities – must be regarded as the absolute minimum requirement for water service provision. Subsidised water provision is clearly necessary in the case of many arrangements with minor and intermediate retailers. The South Australian Government does have a scheme in place, the Remote Area Energy Supply (RAES) Scheme, to ensure residents of remote communities are supplied energy at the average 'on grid' market-rate for electricity, with the State Government paying the retailer the difference in the cost of generating and supplying electricity to remote customers.⁹

⁶ [Water Industry Act 2012](#)

⁷ SACOSS 2023, [Annual SACOSS briefing to the Minister: issues affecting South Australian water consumers](#).

⁸ SACOSS and Aither 2021, [Falling through the gaps: a practical approach to improving drinking water services for regional and remote communities in South Australia](#).

⁹ SA Department of Energy and Mining, [Remote Area Energy Supply](#)

SACOSS considers it crucial that similar support for the equitable and affordable sale and supply of water be provided to all, irrespective of their location. To this end, SACOSS has been active in lobbying the State Government to extend the application of Community Service Obligations (CSOs) to all residential drinking water service providers.¹⁰

SACOSS notes that in South Australia the Minister for Environment and Water has the power to extend CSO directives to minor and intermediate retailers. However, in areas where it appears impossible to include equitable and affordable sale and supply of water as a licensing arrangement for minor and intermediate retailers, SACOSS holds that government-funded schemes (equivalent to the RAES Scheme for energy) should exist to subsidise this gap.

Basic level of service

Delivery of basic water services is essential to social, economic, and cultural wellbeing.¹¹ Yet some regional and remote communities in Australia still experience inconsistent access to safe drinking water, and it has been noted that Australia will fail to meet the relevant Sustainable Development Goal target (6.1) by 2030 unless the situation is urgently addressed.¹²

In regional and remote South Australia there are a number of under-serviced communities without reliable access to safe and affordable drinking water. SA Water provides drinking water for a large majority of the state, but approximately 4000 people are currently serviced by a mix of local councils, private providers, or have developed a self-sufficient supply structure. Significantly, this includes Aboriginal people living in remote communities who already experience poorer health outcomes, exacerbated by a lack of access to safe and secure water.

Significant gaps exist between metropolitan areas and rural and remote areas in terms of service provision and monitoring for safety. While drinking water fails to meet quality guidelines in 395 small, rural and remote (SRR) communities across Australia, there are also many smaller communities identified as completely lacking water quality monitoring.¹³ In November 2022, a report by the Water Services Association of Australia found that there is no over-arching water security strategy covering Aboriginal communities in the State.¹⁴

¹⁰ SACOSS 2023, [Annual SACOSS briefing to the Minister: issues affecting South Australian water consumers](#).

¹¹ United Nations [Sustainable Development Goal 6: Ensure access to water and sanitation for all](#).

¹² Manero, A. *et al.* 2024. [Benefits, costs and enabling conditions to achieve 'water for all' in rural and remote Australia](#). *Nature Water* 2, pp. 31-40

¹³ Manero, A. *et al.* 2024.

¹⁴ Water Services Association of Australia 2022, [Closing the water for people and communities gap](#)

The NWI renewal advice calls for a commitment to ensuring affordable access to a basic level of water services for all Australians, including—at a minimum—safe and reliable drinking water. SACOSS has been active in pushing for more clearly defined parameters for a basic level of service in South Australia. In 2022, the SACOSS-commissioned report, *Basic level of service: settings for long-term water security in remote South Australia*,¹⁵ found that while States will need to set their own levels of service for water provision in line with specific local contexts and needs, there is an important role to be played by the Federal Government in providing overarching support – such as, for example, through the development of a national drinking water quality database to monitor the discrepancies between metropolitan, regional and remote areas regarding alignment with Australian Drinking Water Guidelines.¹⁶

SACOSS notes that, as with other elements of water service provision, the quality and safety of water provided to remote Aboriginal communities is often inadequately monitored, and issues of quality often go unreported. Addressing the provision of safe and reliable water supplies, particularly in such communities where inadequate water quality may compound and intersect with health outcomes and other markers of disadvantage, is an issue that demands ongoing focus. Indeed, Australia’s obligations in light of the UN’s 2030 Agenda for Sustainable Development; the UN Declaration on the Rights of Indigenous Peoples; and progress towards the National Agreement on Closing the Gap in Aboriginal and Torres Strait Islander disadvantage, require an urgent focus on continued improvement in this area as a core human rights issue.

In this respect, SACOSS considers that water and sanitation policies should be aligned as a matter of priority with the interests of those most in need of assistance or most at risk of harm.

Urban water pricing arrangements

SACOSS strongly supports the best practice independent economic regulation principles outlined in NWI Renewal Advice 11.2:¹⁷

¹⁵ SACOSS 2022, [Basic level of service: settings for long-term water security in remote South Australia](#)

¹⁶ Water Quality Australia, [Drinking water guidelines](#)

¹⁷ Productivity Commission 2021, [National Water Reform 2020, Inquiry Report no. 96](#), Canberra, p. 154

NWI RENEWAL ADVICE 11.2: PRINCIPLES FOR BEST-PRACTICE INDEPENDENT ECONOMIC REGULATION

The following national best-practice principles would improve the quality and consistency of independent economic regulation of water service providers.

- Regulatory decisions are guided by the objective of promoting the long-term interests of customers.
- Utilities have incentives to innovate and improve their efficiency.
- Regulatory decision-making processes include effective customer and community engagement.
- Prices reflect the full efficient cost of service provision.
- Regulatory decisions consider the long-term financial viability of utilities.
- Regulatory processes facilitate effective competition in potentially contestable parts of the industry.
- Regulatory processes are transparent to allow scrutiny.
- Regulatory frameworks are adaptable and flexible.

In line with our previous submission to the Commission in March 2021,¹⁸ we remain concerned about the South Australia Government's commitment to the institutional separation of policy making, service delivery and regulation of SA Water, including the independence of the economic regulator in South Australia (and the regulatory process more broadly), being compromised.

SA Water's Regulatory Proposal for 2024-28¹⁹ (RBP24) included significant proposed expenditure, which it expects will be directed by the Minister for Environment and Water under section 6 of the *Public Corporations Act 1993*²⁰ (the Ministerial Directions). At a working total of \$677.1 million, these Directions account for approximately 22.6 per cent of SA Water's total proposed capital expenditure across the 2024 – 28 period.

As a result of these significant expenditures proposed to be directed by the Minister, other discretionary initiatives that were the subject of lengthy consumer engagement and had consumer support, have not been progressed. Arguably, some of the affordability constraints driving the reduction in operating revenue sought by SA Water in RBP24 have been created by virtue of the expected Ministerial Directions, a matter we will address in an upcoming submission to the Essential Services Commission of South Australia (ESCOSA).

¹⁸ SACOSS, [Submission to the Productivity Commission's National Water Reform Inquiry Report](#), 26 March 2021, pp 5-8

¹⁹ SA Water, [2024-28 Regulatory Business Plan](#)

²⁰ [Public Corporations Act 1993](#), Section 6

SACOSS is concerned that under the relevant regulatory frameworks, must include these expenditures within the Regulatory Determination, without those proposals undergoing economic scrutiny, as is the case for other expenditure proposals. Water is an essential service and water costs are regressive, meaning low income households pay a greater proportion of their income on water as compared to average income households.²¹ It is therefore vital to ensure that expenditure proposed in RBP24, including expenditure directed by the Minister (to be recovered from all South Australian water consumers over 2024-28), is prudent, efficient and no more than is necessary for the safe and reliable delivery of water network services. SACOSS will be calling for SA Water and the State Government to revisit these expected Directions to ensure that risk is not unfairly allocated to consumers, and to consider whether projects should more properly be funded through progressive (tax revenue) rather than regressive (water bills) means, to support a more equitable cost distribution.

Against this background, SACOSS is taking this opportunity to reaffirm our strong support for the implementation of the best practice independent economic regulation principles outlined in NWI Renewal Advice 11.2.

As economic conditions continue to exert significant upward pressure on water pricing, and climate change generates ongoing water resource uncertainty, it is vital for governments to provide leadership and focus on removing barriers to equity in cost as well as in service provision. To date, some communities and water users in South Australia have, plainly, been left behind. We are hopeful that a renewed National Water Initiative, focusing on the elements discussed above, will provide a strong framework for action into the future.

We thank you in advance for your consideration of our submission. If you have any questions relating to this submission, please contact Bill Skinner on bill@sacoss.org.au or 08 8305 4212.

Yours sincerely,

Rebecca Tooher
Acting Chief Executive Officer

²¹ SACOSS, [Utilities Cost of Living Policies](#), p. 2