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2 November 2017

Ms Jane Doolan
Commissioner - National Water Reform Inquiry
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601

Dear Ms Doolan

National Water Reform Inquiry – LGNSW Comments on Draft Report

I write to provide Local Government NSW's comments on the draft report of the Productivity Commission's National Water Reform Inquiry.

LGNSW commends the Commission on its thorough and considered draft report, particularly the report's chapter on urban water.

Together with the Water Directorate NSW, LGNSW made a comprehensive submission to the inquiry's issues paper, demonstrating that local government water utilities in regional NSW deliver safe, secure, efficient and affordable services. The submission also outlined how the sector is addressing future challenges such as ensuring water security in changing climatic conditions, improving drinking water management systems, and implementing regional collaboration and service coordination.

LGNSW notes that, while expressing a preference for larger utilities in regional areas, the Commission acknowledges that the analysis of costs and benefits of amalgamating smaller council utilities into larger units needs to consider the impact across all local government operations. LGNSW welcomes the Commission's findings that collaboration between multiple smaller utilities can achieve some of the same benefits as amalgamation (and desired "economies of scale"), while avoiding the difficulties associated with amalgamation of utilities. I am pleased that the Commission makes particular reference to the successful local water utilities alliances in regional NSW.

Considering the demonstrated success and significant potential of the regional alliance model, LGNSW requests that the Commission, in its final report, refrains from expressing any preference for amalgamations of smaller utilities into larger units in regional areas.

LGNSW supports the continuous improvement of the regulatory regime for local water utilities. Councils, the Water Directorate NSW and LGNSW are working closely with the NSW Government on modernising the existing best practice framework, including with respect to efficient and transparent pricing and financial performance reporting in line with the National Water Initiative's pricing principles. LGNSW also supports well-designed, needs-based funding

for local water utilities, recognising that in some areas local water utilities might not be able to fund services from customer charges alone.

For further information please contact Sascha Moege, Senior Policy Officer

Yours sincerely

Donna Rygate
Chief Executive