

Productivity Commission  
National Water Reform 2026  
24 April 2026



**CENTRAL NSW**  
**JOINT ORGANISATION**

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

*The Central NSW JO speaks for over 182,000 people covering an area of more than 63,000sq kms comprising of Bathurst, Blayney, Cabonne, Cowra, Forbes, Lachlan, Lithgow, Oberon, Orange, Parkes, and Weddin*

24 April 2026

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National Water Reform 2026

Submitted via [waterreform2026@pc.gov.au](mailto:waterreform2026@pc.gov.au)

### **Re: National Water Reform 2026 call for submissions March-April 2026**

The Central NSW Joint Organisation (CNSWJO) represents the collective priorities of its member councils—Bathurst, Blayney, Cabonne, Cowra, Forbes, Lachlan, Lithgow, Oberon, Orange, Parkes and Weddin—covering more than 63,000 km<sup>2</sup> and serving over 182,000 residents. We work collaboratively to strengthen intergovernmental relationships, improve regional outcomes and elevate shared strategic priorities across Central NSW. Our CNSWJO Strategic Plan can be found [here](#).

CNSWJO member councils all operate local water utilities (LWUs), so the security, availability and affordability of town water supplies for the communities in Central NSW is core business for the councils in this region and a priority for the CNSWJO Board.

The CNSWJO welcomes the opportunity to contribute to the Productivity Commission's National Water Reform 2026 inquiry. However, we note our concern about the tight review timeframe, consistent with the 2024 process. Such compressed timelines constrain the sector's ability to develop comprehensive responses supported by the evidence the Commission has requested.

This submission makes comment on specific areas that the CNSWJO Board has policy on relating to the information request Part B relating to secure, resilient and sustainable service.

#### **Information request Part B – Secure, resilient and sustainable services**

##### **Overall assessment of current water service arrangements**

While current water service arrangements provide continuity of service, they are not sufficiently aligned with National Water Initiative (NWI) objectives to manage increasing climate risk, regional growth pressures and rising service expectations in Central New South Wales.

Local government-owned Local Water Utilities (LWUs) in NSW remain fundamentally sound delivery institutions, with strong place-based knowledge, direct accountability to communities and the ability to integrate water services with land use planning and economic development. However, systemic weaknesses in funding frameworks, regulatory settings, planning coordination and the recognition of town water as critical economic infrastructure in NSW will constrain the delivery of secure, resilient and affordable services over the medium to long term.

- ***Which elements of current water service arrangements (for example, pricing design, regulatory oversight, funding mechanisms, or governance arrangements to promote accountability and transparency) are working effectively?***

### Comment

An integrated and locally appropriate approach to water supply and sewerage management and optimal whole-of-community outcomes is achieved through Local Government management of LWUs in regional NSW.

CNSWJO strongly supports the local government LWU model as an effective institutional framework for regional water service delivery in NSW. Its strengths include:

- place-based operational knowledge and community accountability
- integration of water services with broader local planning and economic development
- flexibility to respond to local climate, source-water and demographic conditions.

However, systemic weaknesses in funding frameworks, regulatory settings, planning coordination and the recognition of town water as critical economic infrastructure is constraining the delivery of secure, resilient and affordable services.

The region's award-winning collaborative Water Utilities Alliance continues to deliver shared value to councils and the NSW Government. It has been recognised by the NSW Productivity Commission as a potential model for the delivery of LWU services in regional communities. An example is provided through the CNSWJO's Water Loss Management and Efficiency Project which won the 2026 Australian Water Association NSW Award for Organisational Excellence.<sup>1</sup>

- ***Are there specific aspects of current water service arrangements, in particular regions or jurisdictions, that create material risks, inefficiencies or misalignments?***

### Comment

Current arrangements in NSW present material risks and inefficiencies for regional and inland communities.

Central NSW requires urgent action on water security and flood management. Prolonged restrictions have left many towns with minimal general security water and limited high-security allocations. During the millennium drought and the 2017–2020 drought, the regional centres of Orange and Bathurst came close to exhausting supplies, with Lachlan Valley communities similarly affected.

Government modelling indicates town water supplies remain at significant risk under future climate conditions. Immediate, coordinated investment in place-based, intergovernmental solutions is essential to safeguard town water, manage flooding, protect economic output, and enable sustainable growth. Without proactive infrastructure and policy measures, future droughts and climate change will impose severe economic, social, and environmental costs.

**The CNSWJO considers that further reform is needed in NSW to strengthen alignment with NWI principles and improve institutional settings for Local Water Utilities, including:**

- **Capital investment in the NSW LWU sector**  
Despite NSW Government funding through the 2019-2020 drought response and the 10-year Safe and Secure Water Program, drought and water security remain ongoing concerns for many local water utilities and regional NSW communities. Capital investment in the NSW LWU sector is currently inefficient and not fit-for purpose. Councils need certainty of funding (and revenue) to appropriately address long-term risks such as water quality, security and flood resilience.

There is insufficient funding in the NSW Safe and Secure Water Program to address current water security, public health and environmental risk. While the National Water Grid Fund (NGWF) can address water security and drought proofing projects, in practice, local councils and water utilities in NSW cannot apply directly to the Australian government.

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<sup>1</sup> [Water Loss Management – A Regional Hub Approach in Central NSW](#)  
[NSW water leaders celebrated at 2026 awards](#)

Continuation of targeted investment programs, such as the Safe and Secure Water Program, and the establishment of a consistent Community Service Obligation framework for LWUs as recommended by the NSW Productivity Commission is needed<sup>2</sup>. More predictable funding arrangements would support long-term planning and servicing decisions, particularly for councils servicing smaller or higher-cost communities.

Where the NSW Department of Climate Change, Energy, the Environment -Water's (DCCEEW) continues to work on its LWU reform agenda, including its response to the NSW Productivity Commission's recommendations on alternate funding models<sup>3</sup>, there is a long way to go and ever decreasing state funding available.

- **Regulatory and assurance reform**

The NSW Department of Climate Change, Energy, the Environment -Water's (DCCEEW) Regulatory and Assurance Framework developed in response to the 2020 NSW Auditor-General's report on support for regional town water infrastructure<sup>4</sup> has not achieved the outcomes-focused, flexible and proportionate approach intended due to lack of co-design with the LWU sector. There remains too much red tape with council resources unnecessarily diverted to strategic planning and regulatory reporting that is not reducing risk.

Further there is a need for regulatory certainty between numerous regulating agencies with numerous competing requirements hindering water and sewerage infrastructure delivery and the improvement of service levels. As above, this is a long work in progress that is distracting LWUs from the challenges at hand while not reducing the risks to the delivery of LWU services in regional NSW.

- **Skills and training for operators and engineers**- this too is a work in progress by NSW DCCEEW. A renewed focus on contemporary risk and asset management through quality training delivered by accredited Registered Training Organisations at the regional level is needed.

- **Better recognition and understanding of the Integrated Planning and Reporting Framework for Councils by State agencies**

Local government in NSW has a strong system of accountability to our water service customers and local communities through the NSW Integrated Planning and Reporting Framework<sup>5</sup>. Unfortunately, this is not well recognised by co-regulating agencies outside of the NSW Office of Local Government. The processes and approaches applied by large metropolitan water service providers for customer satisfaction do not apply to regional areas due to our small population. The local government framework empowers Councillors to be community representatives.

- **Completion and implementation of the Regional Water Strategies**

Despite significant investment by the NSW Government in the development of Regional Water Strategies<sup>6</sup> and lessons from the 2017–2020 drought, securing reliable town water supplies remains unresolved. Where this region has invested a huge amount of time and resources into ensuring that the town water challenges are recognised in the Lachlan and Macquarie-Castlereagh Regional Water Strategies it would now appear that these are destined to become 'shelfware.' Local water utilities continue to rely on NSW Government approval for regional water security solutions with insufficient coordination across councils, catchments and agencies. There is also limited funding available at the NSW Government level to support applications by LWUs to the National Water Grid for regional solutions.

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<sup>2</sup> [Review of funding arrangements for Local Water Utilities](#)

<sup>3</sup> [NSW Government response to the PEC recommendations](#)

<sup>4</sup> [Support for regional town water infrastructure | Audit Office of New South Wales](#)

<sup>5</sup> [NSW Integrated Planning and Reporting Framework](#)

<sup>6</sup> [Regional water strategies program | Water](#)

- **Better consideration of town water security in Regional Water Strategies**

Improved modelling of the quantity of water that can be supplied to meet town water demands, inclusive of ground water irrespective of the duration and intensity of a drought is critical and currently missing in Regional Water Strategies developed to date.

There needs to be clear and transparent rules for how town water supply dams will be operated to meet critical human, environmental and cultural needs in drought, including when water allocations will be reduced. Clarity and transparency are needed about how decisions will be made and communicated during extreme events to help meet critical needs.

A critical weakness is the absence of a clearly defined and consistently applied Basic Level of Service (BLoS) in NSW. Without a service baseline, investment decisions lack transparency and consistency. Again, this is a work in progress by NSW DCCEEW in response to the NSW Productivity Commission's recommendations around the development of a CSO model.

- **Regional water security solutions that consider cross-council and catchment boundaries**

A coordinated, intergovernmental approach to deliver integrated water management solutions including ground water and expansion of the existing regional pipeline network is needed to ensure long-term water security for central NSW.

- **Recognition of town water and its productive value in all state and federal planning frameworks**

Infrastructure proposals are often assessed using narrow benefit–cost metrics that understate the productivity, employment, public health and community impacts of supply failure. This includes reliance on the NSW Treasury Common Planning assumptions.

Recognition and consideration of the value of town water to the economy in strategic and funding frameworks particularly Benefit Cost Ratios for critical water infrastructure and water conservation initiatives is needed. The social and economic value of not closing a town due to shortages and the impact of floods on communities is not well understood, quantified, or integrated into decision-making. This risks under-investment in critical town water infrastructure and water conservation initiatives that should be considered and evaluated. Assumptions repeatedly made in strategies that "no community will run out of water" and that there will be an enduring supply, is not our lived experience and makes a big difference to BCRs.

Greater transparency and clarity are needed around biodiversity offsets- particularly the calculation methodology and applied credit prices in water planning and management decision-making.

- **Recognition of the economic benefits of water conservation.**

The economic benefits of water conservation that defers or minimises costs associated with providing water services, including costs to communities during drought should be considered and evaluated on an equal basis with supply side measures that improve water security.

Improved approaches to valuing water conservation will facilitate better integration of initiatives into long-term water security planning. These initiatives can lower the cost of providing water services to communities, reduce energy use and GHG emissions and reduce the broader impact on communities during drought. This is critical where currently changes are needed at the state level to the regulatory and legislative frameworks to enable options such as stormwater harvesting and other innovations in providing a multi-source approach to town water security challenges.

Planning processes need to enable and encourage innovation and new ways of water planning and management drawing on international experience. For example, the Dutch approach to engineering solutions and risk enablement in funding frameworks to trial new technologies.

- **Recognition of the social and economic impacts of flooding on communities**  
Forward planning for WaterNSW assets is needed to consider the impacts of flooding on communities particularly in the Lachlan Valley.
- **Immediate investment in water security and flood management**  
Coordinated funding and policy measures are needed for the investigation and approval of alternative water supplies, such as harvesting and recycling, to address water quality and security risks, flood resilience and PFAS contamination.
- **Funding to repair infrastructure damaged by flooding**  
This is needed to improve water security during drought.
- **Misalignment between development approvals and water service capacity**  
State-significant developments—including renewable energy zones, special activation precincts and industrial land uses—are frequently progressing without commensurate investment in water and sewerage infrastructure, placing increasing pressure on existing systems

Risks associated with the need for these reforms detailed above are expected to intensify due to increasing climate variability, ageing infrastructure and renewal backlogs, emerging contaminants (including PFAS), and cumulative growth in water-intensive land uses. A coordinated, place based, intergovernmental approach, supported by investment in innovative water management, is needed to protect critical human needs, maintain productivity, and ensure sustainable regional growth. Without decisive action, the economic, social, and environmental consequences will be severe.

- ***How do current arrangements affect how trade-offs are made between service reliability, long-term financial sustainability, affordability and any other objectives?***

#### **Comment**

Current arrangements require councils to manage increasingly difficult trade-offs between service reliability, long-term financial sustainability and affordability in communities with limited revenue bases and high per-customer costs.

The NSW Productivity and Equality Commission’s work on LWU funding reform highlights that the user-pays principle cannot adequately fund essential water services in many small and rural communities. Progressing a transparent, statewide Community Service Obligation (CSO) framework, alongside continued targeted capital funding, is essential to balancing affordability with sustainable service delivery. Without structural reform, these trade-offs will worsen as climate impacts intensify, regulatory standards tighten and community expectations continue to rise.

- ***How well do current arrangements support safe, secure and culturally appropriate water services for Aboriginal and Torres Strait Islander communities?***

#### **Comment**

NSW continues to have a safe, secure and culturally appropriate support program under the [Aboriginal Communities Water and Sewerage Program](#)<sup>7</sup>. It will be important to review and continue the program beyond its current 25-year horizon of 2033.

Strengthening Aboriginal participation in regional water governance—particularly in drought preparedness, water planning and infrastructure prioritisation—would improve alignment with NWI objectives while delivering both service and cultural benefits.

- ***Are there specific reforms to water service arrangements that would materially improve outcomes?***

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<sup>7</sup> Website: <https://www.water.dcceew.nsw.gov.au/our-work/projects-and-programs/aboriginal-water-programs/aboriginal-communities-water-and-sewerage>

### Comment

CNSWJO considers that the following reforms would materially improve water service outcomes and better align arrangements with NWI objectives:

- **Recognition of town water as critical economic infrastructure**  
Planning, appraisal and funding frameworks should explicitly recognise the full economic, social and productivity costs of town water supply failure in regional communities.
- **Outcomes-focused regulatory and assurance reform**  
A less prescriptive, risk-based and outcomes-focused regulatory framework—co-designed with Local Water Utilities—is needed to reduce duplication, streamline approvals and prioritise resilience and risk reduction over compliance reporting.
- **Fit-for-purpose funding and revenue arrangements**  
Implementation of a transparent CSO framework, alongside the continuation of targeted capital funding programs such as the Safe and Secure Water Program, is central to long-term sustainability and affordability.
- **Strengthened regional coordination**  
Greater intergovernmental collaboration at the regional scale—leveraging Joint Organisations—would support shared planning, modelling and decision-making while preserving local ownership and accountability. The CNSWJO supports incentivised regional collaboration.

Implementation risks, including regulatory duplication, reform fatigue and capacity constraints, are best mitigated through co-design with the sector and clear accountability arrangements.

With respect to questions in Part B relating to themes, the CNSWJO provides the following comments

#### ***Theme 1: Pricing and economic regulation***

- ***Trade-offs and objectives***

### Comment

LWUs in regional NSW are not price regulated.

- ***Efficiency and incentives***

### Comment

Consistent with CNSWJO policy on outcomes-focused, risk-based regulation, current NSW regulatory settings do not always create clear incentives for efficient and timely capital investment—particularly where approval processes are sequential and protracted. Compliance and reporting obligations can also impose disproportionate administrative costs on smaller regional utilities, diverting limited resources away from risk reduction, asset management and service improvements.

#### ***Theme 2: Governance, accountability and coordination***

### Comment

In line with CNSWJO policy calling for clearer, coordinated institutional arrangements for LWUs, roles and responsibilities across governments, regulators and service providers are not always clearly defined or communicated—particularly during drought and flood events. Overlapping requirements across water, environment, health and planning agencies can delay decisions, increase transaction costs and weaken accountability for outcomes.

CNSWJO policy supports stronger regional coordination (including through Joint Organisations and proven shared-service models) to improve resilience and efficiency while maintaining local ownership and accountability. At present, regional coordination remains limited despite clear benefits from integrated, catchment-scale planning, shared data and joint prioritisation of investments that address cross-boundary risks.

### ***Theme 3: Regional, remote and equity considerations***

#### **Comment**

Consistent with CNSWJO policy on equitable, fit-for-purpose funding and service delivery for regional communities, higher per-customer costs, workforce constraints and variable source-water quality materially affect the viability of regional providers. Current funding and assurance settings do not consistently reflect these structural disadvantages, increasing pressure on affordability, renewal backlogs and long-term resilience.

As reflected in CNSWJO policy, reduced reliability and delayed investment have tangible social and economic impacts on regional communities, including constraints on business confidence, productivity and population retention. Regional collaboration, shared services and system-operator approaches should be considered where they demonstrably improve resilience and capability, provided they preserve local decision-making, transparency and accountability to communities.

### ***Theme 4: National consistency and intergovernmental coordination***

#### **Comment**

Consistent with CNSWJO policy on reducing duplication and improving investment certainty for regional water infrastructure, differences in regulatory approaches and service standards across jurisdictions can increase compliance costs and create uncertainty. Greater national consistency in core principles—such as baseline service standards, regulatory intent and recognition of town water as critical economic infrastructure—would support more efficient planning and delivery.

However, consistent with CNSWJO policy, flexibility is essential to account for regional diversity in cost structures, climate exposure, scale and source-water constraints. Intergovernmental coordination should therefore prioritise aligning objectives, data, modelling and funding pathways, rather than introducing additional layers of prescriptive regulation.

#### **Summary**

Overall, CNSWJO considers that while existing water service arrangements in regional New South Wales deliver basic service continuity, they are not yet well positioned to manage the cumulative pressures of climate change, regional growth and rising service expectations. Without reform that properly recognises the value of town water, strengthens regional coordination and rebalances pricing and funding frameworks, regional communities will continue to face elevated risks inconsistent with sustainable NWI outcomes.

CNSWJO supports reforms that strengthen—rather than replace—local government water utilities, enable place-based decision-making and deliver durable, equitable outcomes consistent with the intent of the National Water Initiative.

The region seeks collaboration with government, industry, and communities to ensure reliable, affordable water that supports long-term.

If you require further information or clarification on comments in this submission, please do not hesitate to the CNSWJO Acting Executive Officer, Meredith Macpherson on

Yours sincerely,

**Acting Executive Officer**  
Central NSW Joint Organisation (CNSWJO)