Ms Joanne Chong
Commissioner
Productivity Commission
By email: waterreform2026@pc.gov.au

Dear Commissioner,

Veolia welcomes the opportunity to provide input to the Productivity Commission's National Water Reform 2026 consultation.Our response to the consultation paper is attached to this letter. We make several recommendations that we believe would improve water sector sustainability while also enabling the sector's growth.

Globally, Veolia employs nearly 220,000 employees, including 7,000 employees in Australia and New Zealand across over 300 locations. We have deep experience in the water sector delivering innovative water and wastewater treatment services around the world.

Veolia's submission is focused on how to improve the provision of water and wastewater services to communities across Australia. Veolia operates water and wastewater treatment facilities in all Australian jurisdictions, excluding Tasmania, ranging from very small, remote communities, to large metropolitan areas. Veolia are global experts on municipal water and wastewater treatment and operations, and fit for purpose drought response and water security solutions utilising saline or recycled source water.

Veolia's submission is responding to Part B - Secure, resilient and sustainable services and reflects Veolia's on the ground experience of issues and impacts, and provides suggested recommendations to quickly and cost effectively tangibly improve drinking water and wastewater services, especially in regional and remote communities where the risks are most critical

We believe water service delivery in Australia can be improved by introducing (in summary):

- new criteria for funding programs to also cover operation and maintenance, and personnel costs and prioritisation based in risks and capacity to pay
- funding certainty for water and wastewater services for communities challenged by financial sustainability
- an alternative service model of national and/or state-based private sector hubs to build capacity and improve drinking water services in regional and remote communities
- national standards for service delivery, operator qualifications, quality monitoring and assessment of "aesthetic" water quality health impacts

Thank you again for the opportunity to provide feedback. Should you have any questions or require clarification on our submission, please contact Megan Surawski, Veolia's Head of Government Relations, at

Yours faithfully,

CEO & Managing Director, Veolia Australia and New Zealand

**Productivity Commission National Water Reform 2026 - Veolia Submission**

## Introduction

Veolia operates water and wastewater treatment facilities in all Australian jurisdictions, excluding Tasmania, ranging from very small, remote communities, to large metropolitan areas. Veolia are global experts on water and wastewater treatment and operations, and fit for purpose drought response and water security solutions utilising saline or recycled source water.

Veolia's submission focuses on how to improve water and wastewater service delivery to communities across Australia. It responds to Part B - Secure, resilient and sustainable services of the consultation paper and reflects Veolia's on the ground experience of issues and impacts. Also, it includes recommendations to quickly and cost effectively tangibly improve drinking water and wastewater services, especially in regional and remote communities where the risks are most critical.

## The Challenge

The Water Services Association of Australia (WSAA) report, *Closing the Water for Peoples and Communities Gap: A review on the management of drinking water supplies in Indigenous remote communities around Australia*[1], highlighted that many communities outside the large metropolitan areas and larger regional towns have "limited and sometimes no access to safe drinking water, poor health outcomes associated with lack of clean and reliable water supplies".

Further results of WSAA water quality audits and community interviews, confirmed by Veolia experience, also highlighted issues with poor or no water quality sampling, water not meeting drinking water standards, as well as palatability and calcification issues due to high salinity and hardness in groundwater. This can be attributable to numerous factors including inappropriate treatment processes, ineffective maintenance, poor operation of plant by inexperienced staff, and ageing assets. The underlying cause of these issues is usually a limited revenue base resulting in insufficient funds to appropriately operate the services and invest in assets.

## Financial sustainability and viability and secure, resilient and sustainable services

Financial sustainability and viability of water services Australia is linked to the institutional arrangements in each state.

Western Australia, South Australia and Victoria have large state owned water entities where revenues from larger metropolitan areas effectively subsidise small communities where revenue is insufficient to cover costs.

In New South Wales (NSW) and Queensland, councils are responsible for managing and funding water and wastewater services, except for the 17 Aboriginal and Torres Strait Islander councils in Queensland, which are fully funded by the state government. This means many small to medium sized councils do not recover sufficient revenue to pay for operations, maintenance, or asset renewals. This is a finding of numerous reports by the relevant state Auditor Generals.

In most states, including the Northern Territory, the large geographical spread of many small communities makes quality service delivery expensive on a per capita basis compared to large metropolitan areas.

Where there is a lack of funding in our regional, rural and remote communities, lower service standards and increased risks result, for example:

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[1] Water Services Association of Australia, 2022, Closing the Water for People and Communities Gap: A review on the management of drinking water supplies in Indigenous remote communities around Australia

- poor quality water delivered to the tap with frequent boiled water alerts and decreased availability due to drought
- higher public health risks due to poor water treatment and operational processes resulting from a lack of expertise to undertake appropriate water quality sampling
- faster asset degradation due to lack of maintenance and renewals programs
- water security risks due to lack of expertise to properly plan and identify solutions
- environmental impacts from poor management of wastewater discharges
- cost of living impacts are exacerbated by poor water quality, especially palatability, where households have to buy bottled water, or drink other liquids like soft drinks that create secondary health impacts.

For these communities, their utilities are unlikely to be financially viable without state or federal funding as it is difficult to sufficiently increase water bills for disadvantaged communities with high cost of living challenges.

**Recommendation 1 - Permanent federal grant funding program**

It is recommended that a permanent federal grant funding program be established to support these communities for suitable water and wastewater operations, maintenance, and capital upgrades without significantly affecting their cost of living. This permanent federal funding program could be similar to the long-standing federal Roads to Recovery program. It would provide these councils with long term certainty and predictable, sufficient allocations specifically for investing in water and wastewater infrastructure renewals, operations and maintenance expertise and improved water security.

This fund could use a tiered structure reflecting the capacity to pay:

- Cohort 1: Communities with severe limitations on revenue collection
- Cohort 2: Communities with some capacity to contribute, but require “top ups”
- Cohort 3: financially independent and expected to meet service standards and investment without financial support.

**Recommendation 2 - Expand state and federal funding programs to include costs for operations, maintenance and personnel**

Many small utilities, especially in NSW and Queensland, do not have sufficient revenue to appropriately fund operation and maintenance (O&M) and pay for people with appropriate expertise either as staff or from private sector engagement.

Capital intensive funding programs create perverse outcomes of building new infrastructure that is not fit for purpose and can not be operated or maintained by local staff. This results in assets not being used or having a short asset life.

Water utilities, especially councils in NSW and Queensland and NT Power and Water, have difficulty attracting and retaining staff with appropriate expertise in water and wastewater treatment. Further, they often do not have the in-house expertise to provide training for O&M, increasing public health risks from poor treatment processes, inadequate maintenance resulting in short asset life and increased incidents and down time. Lack of expertise can also lead to poor investment decisions.

The private sector has the capacity to fill this gap with experienced operators, engineers and technicians, with hub arrangements to support multiple communities being a cost effective approach. However, most funding programs have inadequate or do not fund O&M. The risks outlined above can be remedied by expanding these programs to include costs for O&M and staff, whether council staff or from the private sector.

**Recommendation 3 - Modify the National Water Grid Fund**

Significant tangible improvements in drinking water and reduced public health risks were achieved by expanding the National Water Grid Fund (NWIDF) and associated state funding programs, particularly the specified funding for First Nations community urban water projects. It could be considered the most significant policy reform leading to on ground water quality improvements.

It is recommended the NWIDF and state funding programs are modified to continue and expand these benefits by:

- Provide long term and permanent funding in the budget forecasts for the NWIDF given current funds are exhausted
- Modify and expand the funding criteria to include:
    - wastewater treatment and network infrastructure projects
    - O&M costs to reduce risks of stranded or degrading assets due to a lack of expertise to operate and maintain them. This could potentially be a part of the state's financial contributions underpinned by total lifecycle costing assessments.
    - Engage expert operators and engineers to optimise existing infrastructure.
- Include a new investment principle in the NWIGF Investment Framework requiring states to prioritise whole of state risks to safe and reliable water supplies on a scheme or community basis.
    - Prioritisation should involve evidence of capacity to pay, to ensure funding is directed towards the communities at highest risk and least capacity to pay instead of proponents with the most capacity to submit funding proposals.
- Introduce a requirement for an independent assessment of the infrastructure needing replacing or upgrading.
    - An experienced operator or process engineer with operational experience would be required to undertake the assessment to determine if the existing infrastructure could be optimised at a lower cost.
- Move the funding application process to an outcomes based approach to ensure limited funding is spent on delivering tangible, fit-for-purpose solutions and innovation instead of business cases and feasibility studies
- Prioritise low cost solutions like mobile containerised treatment plants as a first option for small communities to quickly improve water quality
- Introduce post-project reporting to show a project was successfully delivered, improvements were made, and funding has been acquitted.

**Recommendation 4 - Establish an alternative service model: National and/or state-based private sector hubs to build capacity in communities**

An alternative to the conventional service provision model would be to fund a national or state based private sector hub(s) of experienced water operators, engineers and technicians to provide expertise to quickly uplift capacity, mitigate critical on ground risks and optimise existing infrastructure. This expertise would cover staff shortages, disaster events and complex technical issues. Initially, a pilot hub could be established, for example in western NSW, western Queensland

or Cape York. Councils could ‘opt in’ to access relief operators and practical expert advice on asset maintenance, infrastructure optimisation, troubleshooting and onsite training.

**Recommendation 5 - Introduce national standards for service delivery, monitoring and assess “aesthetic” water quality health impacts**

Service delivery standards are needed to ensure all Australians have access to clean drinking water and for them to be confident in water quality and reliability. These standards should include:

- minimum qualifications to operate a drinking water treatment plant with a transition period to reach staff compliance (if required)
- national basic levels of service for drinking water quality and reliability
- establish a national drinking water quality monitoring / audit program as recommended in the WSSA 2022 report
- National Health and Medical Research Council (NHMRC) assessment of long term public health risks of ‘aesthetic’ drinking water parameters including salinity, hardness, and palatability (including impacts from the use of alternatives to drinking tap water). Salt and calcification in groundwater sourced drinking water is a particular issue for smaller, often Indigenous, remote communities, and the Australian Drinking Water Guidelines (ADWG) standards do not have minimum health standards for these parameters.

**Appendix 1 - Recommendations in detail**

| Issue | Impacts/Effects | Evidence / Examples | Potential Solution(s) |
|---|---|---|---|
| Many local governments in NSW and Queensland do have sufficient revenue to fund operations, maintenance, renewals or capital upgrades<br><br>For many, water revenue cross subsidises other council business.<br><br>Customer bills do not reflect the true cost of water and wastewater service provision. | ● Shortfall in funding means operations, maintenance and capital works are not undertaken<br>● Difficulty attracting and retaining staff<br>● Degraded assets<br>● Public health risks | Refer to Queensland and NSW Auditor-General reports | ● Permanent state/federal funding programs for councils lacking the capacity to appropriately finance services<br>● Require councils to “ring fence” water revenue for reinvestment into water and wastewater management |
| Lack of experienced treatment plant operators, water engineers, maintenance staff, especially in regional and remote communities.<br><br>Difficulties attracting and retaining staff due to:<br>● Insufficient staff to cover leave etc<br>● Low wages<br>● Lack of accommodation<br>● High cost of living in remote locations<br>● No experienced staff inhouse to provide training<br>● Not attractive for families | ● Increased public health risks from poor treatment processes and inadequate water quality sampling<br>● Non compliance with drinking water and environmental discharge standards<br>● Communities with frequent/long term boiled water alerts<br>● Assets degrade faster due to lack of appropriate maintenance<br>● Poor investment / strategic planning decisions resulting in higher costs | Advice provided to us:<br>● Numerous councils in regional NSW and Queensland have difficulties attracting and retaining staff with appropriate expertise, e.g. a western NSW council has advertised for an operator for more than 3 years without success.<br>● NT Power and Water does not always have enough experienced operators to service remote communities.<br><br>Our experience:<br>● SA Water engages Veolia to maintain infrastructure in remote communities.<br>● Northern Peninsula Aboriginal Regional Council outsources water treatment to Veolia. Our services involve employing local staff and capacity building. This is improving service delivery and long term water security | ● Expand criteria for state and federal funding programs to include O&M & personnel costs when there is no capacity to pay<br>● Private sector engaged to supplement council expertise or fully outsource through long term contracts for operators, engineering, maintenance expertise<br>● Establish regional hubs to support multiple councils with expertise.<br>● Specialist recruitment and training programs targeting local Indigenous and female workers<br>● Increase award wage for operators or allow exceptions to attract and retain experience<br>● Support councils to build staff accommodation |
| Operator training and accreditation requirements. | ● Difficulty attracting and retaining staff<br>● Inappropriate expertise to | ● Most small councils and remote areas experience this | ● Require minimum operator credentials for drinking water treatment facilities at a |

| Issue | Impacts/Effects | Evidence / Examples | Potential Solution(s) |
|---|---|---|---|
| Salaries do not match the job responsibility | operate treatment facilities | | national level including a transition period for compliance.<br>● Increase the salary awards for drinking water treatment operators |
| Lack of operator training courses - both initial and upskilling | ● Inappropriate expertise to operate treatment facilities<br>● Increased public health risks | ● Most small councils and remote areas experience this | ● Establish a water / wastewater training centre<br>● States/federal governments fund national operator training program through TAFE system<br>● Establish process for private sector organisations to provide “on the job” training credentials |
| State and federal funding programs are not addressing the highest risks as those with the least capacity unable to apply or even know they have a problem | ● Highest public health and environmental risks are not being fixed | ● Funding of projects for councils with capacity to pay through debt or long term price paths (eg Townsville and Cairns Regional Council experiences) | ● Require states to undertake a risk and capacity to pay assessment for prioritisation in funding processes |
| State and federal funding programs are short term and capital focused, with only limited funding for operations or maintenance | ● Capital infrastructure is constructed / upgraded, but can’t be maintained as insufficient staff with appropriate experience, resulting in short asset life<br>● Submissions are focused on capital fixes instead of O&M solutions which often provide better value | ● Numerous examples of state and federal funding going to capital projects where the councils don’t have the capacity to operate or maintain these assets.<br>● Eg Wujal Wujal wastewater treatment plant ( WWTP), and Walgett reverse osmosis plant | ● Establish a federal/state permanent water/wastewater grant program that is similar to federal Roads to Recovery program<br>● Modify NWIDF criteria so O&M and personnel funding are eligible |
| National Water Grid fund excludes wastewater projects | ● Wastewater assets not upgraded<br>● Environmental impacts | | ● Modify NWIDF criteria to include wastewater |
| State and federal grant program approval processes requiring costly and business cases / feasibility | ● Delays to improvements increasing risks<br>● Limited funding not going to on | ● Business cases for new or significant upgrades to water treatment plants (WTPs) and WWTPs | ● Grant funding processes amended to require outcomes focused submissions that encourage |

| Issue | Impacts/Effects | Evidence / Examples | Potential Solution(s) |
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| studies with long lead times | ground solutions<br>● Fit for purpose, innovative solutions not prioritised as options or funded | for small communities cost more than many years of leasing / purchasing mobile treatment plants | innovative, low cost outcomes and consider capacity to implement / operate |
| Some capital water and wastewater infrastructure projects not fit for purpose and can't be operated with local expertise | ● Infrastructure not used<br>● Infrastructure degrades quickly needing early replacement due to lack of expertise to appropriately maintain | ● Walgett Council "gifted" reverse osmosis water treatment plant for groundwater, but can't operate it due to lack of expertise<br>● Wujal Wujal WWTP bypassed due to lack of expertise to operate complex equipment | ● Grant funding processes amended to require outcomes focused submissions that encourage innovative, low cost outcomes and consider capacity to implement / operate<br>● Introduce a requirement for an independent assessment of the infrastructure requiring replacement / upgrade. This could be undertaken by an experienced operator or process engineer to determine if the existing infrastructure could be optimised at a lower cost and can be operated by the local staff. |
| Opportunities for increased non potable and potable use of treated recycled water to address water security risks and support economic growth | ● More expensive drought response initiatives<br>● Economic development opportunities in industrial and agricultural sectors not being realised | ● Queensland's Western Corridor Recycled Water Scheme on minimum production and for drought response only since 2008. | ● Funding for independent study of recycled water chemistry - before and after treatment to provide the public / education programs with evidence of successful treatment |
| Opportunities for treatment of saline groundwater and seawater as cost effective climate resilient options | ● Increased water security risks<br>● Potential to improve public health by improving water quality (especially saline groundwater) | ● Numerous remote communities have saline water that large metropolitan communities would not tolerate. But this is considered an 'aesthetic' parameter in the ADWG | ● Promote lower energy and running costs for modern desalination plants<br>● NHMRC undertake a study into the public health risks from saline groundwater and consider including as a health based standard in the ADWG |
| Cheaper, innovative, fit for purpose technological solutions (eg mobile treatment plants) being excluded | ● Increased water security risks<br>● Increased costs / affordability for customers or state | ● Numerous projects where state departments have not accepted mobile solutions in tender | ● Require funding processes to demonstrate all options are assessed eg. including mobile |

| Issue | Impacts/Effects | Evidence / Examples | Potential Solution(s) |
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| from tender processes due to low risk appetite in state governments or lack of awareness / conflict of interest by service providers or consultants | /federal grant programs | processes | modular treatment systems |
| Ageing infrastructure "cliff" due to lack of investment / maintenance over decades | • Increased public health risks<br>• Increased water loss | • Much infrastructure across Australia | • Promote innovative technological solutions (eg modern sewer relining instead of pipe replacement)<br>• Require reporting on infrastructure maintenance and renewals |
| Inequity in drinking water quality in regional and remote communities compared to large metropolitan areas due to standards for "aesthetics" like salinity, odour, taste, colour not being part of ADWG | • Local people don't drink tap water<br>• Cost of living and environmental impacts from drinking bottled water<br>• Health impacts from drinking soft drinks etc as alternatives<br>• Paying for service that is not fit for purpose<br>• Impacts of long term drinking highly saline / sulphurous water not scientifically assessed | • Walgett community including Dharwarra Elders (reported in Newcastle university study) don't drink the tap water due to taste and salinity<br>• Many remote communities report not drinking tap water due to palatability issues and quality concerns<br>• The Quality Water for Wannon project, supported by $26.1 million from the National Water Grid Fund, is upgrading water treatment in Heywood, Port Fairy, and Portland to improve taste and reduce saltiness, with completion expected by 2027. The project involves installing reverse osmosis technology at local plants. Funds were available to undertake detailed community engagement and health studies. | • NHMRC scientific assessment of health risks of salinity, hardness, sulphur etc on health from long term ingestion<br>• NHRMC undertake assessment of health / cost impacts of expanding ADWG to include some current "aesthetic" parameters<br>• Require community input on "aesthetic" parameters and whether this impacts drinking of tap water<br>• Funding for more projects similar to NWIDF and Victorian Government funding for Wannon Water to invest in upgrades to water quality to meet community standards. NWIDF / NHMRC provide the guidance and standards to support these projects without having to repeat the studies undertaken by Wannon Water. |
| Highly variable levels of water and wastewater service across Australia due to different institutional arrangements, source water quality and | • Increased public health risks due to poor water quality<br>• Increased environment impacts from poor discharge quality | Most remote councils | • Federal government introduces national basic levels of service and national regulatory oversight of performance to measure and drive |

| Issue | Impacts/Effects | Evidence / Examples | Potential Solution(s) |
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| quantity, remoteness, and customer capacity to pay. | | | improvements. |

**Appendix 2: Walgett Regional Council Case Study**

Over many years, there have been ongoing water quality issues in Walgett and dissatisfaction in the drinking water expressed by the local community, in particular the Dharriwaa Elders Group and Walgett Aboriginal Medical Service concerned about high salinity and sodium levels.

In summary, Walgett's water treatment history:

- 2015: a new treatment plant is installed to treat water sourced from the Namoi River, the community's long term water source. The original design of this treatment plant was modified to meet a budget cap, resulting in suboptimal treatment processes.
- 2020: the drought reduced river water quantity and quality, so the source switched to a new bore accessing the Great Artesian Basin aquifer, with minimal chlorination as treatment.
    - The community were not satisfied with the palatability of this water, and were concerned about salinity impacts on health.
    - The NSW Government responded by providing the Council with a reverse osmosis containerised treatment plant to treat the groundwater
    - However, the council did not have the staff with the appropriate experience to operate this plant and to date (2026) it has not been used, and council has not accepted ownership of the plant.
- current status: Minimally treated groundwater continues to be provided to the community.
    - The council continues to find it difficult to attract and retain appropriately experienced operators or access experienced engineering advice to help make critical decisions about which supply source to use, optimise treatment and maintenance processes and train staff.

In Walgett, it is difficult to attract and retain appropriately experienced staff, or train up local staff due to the lack of internal expertise to build capacity. A few years ago, the local plumber stepped in to operate the Walgett treatment plant at short notice, and has continued to perform this role since then.

The Council continues to carry the risks associated with a lack of experienced expertise. A long term contract partnership arrangement with the private sector would minimise these risks.

Veolia has been working with the Council on an alternative solution to provide expertise to assist delivering water treatment services in the long term. However, the Council does not have sufficient revenue to fund this arrangement, and there are no NSW state funding programs available to support this proposal.