

Productivity Commission
National Water Reform 2026
Water services reform directions
Interim update

9 July 2026



CENTRAL NSW
JOINT ORGANISATION

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

9 July 2026

Productivity Commission
National Water Reform 2026

Submitted via waterreform2026@pc.gov.au

To whom it may concern,

Re: National Water Reform 2026 – Interim Update

The Central NSW Joint Organisation (CNSWJO) welcomes the opportunity to provide further comment on the Productivity Commission's *National Water Reform 2026: Water Services Reform Directions – Interim Update*.

CNSWJO represents the member councils of Bathurst, Blayney, Cabonne, Cowra, Forbes, Lachlan, Lithgow, Oberon, Orange, Parkes and Weddin. Central Tablelands Water is an associate member. Collectively, these councils provide essential water and sewerage services to communities across more than 63,000 square kilometres of Central NSW.

CNSWJO strongly supports reform that improves the resilience, affordability and sustainability of regional water services while maintaining local government ownership, community accountability and place-based decision-making.

The *Interim Update* appropriately recognises that many regional and remote water utilities face structural challenges that cannot be resolved through local effort alone. CNSWJO considers that the most effective reform pathway is not structural consolidation, but stronger regional collaboration supported by appropriate funding, capability development and policy settings.

Many of the reform themes identified in the *Interim Update* align closely with issues raised in CNSWJO's April 2026 submission (CNSWJO, sub 18), particularly the need for:

- Basic Levels of Service (BLOS),
- transparent Community Service Obligation (CSO) funding,
- regional collaboration and shared services,
- improved strategic planning and coordination,
- recognition of town water as critical economic infrastructure, and
- greater transparency and accountability in service outcomes.

CNSWJO's further comments focus on the information requests most relevant to local government-owned regional water utilities, with particular emphasis on Information Request 4.

Response to Information Requests

Information request 4 – Service Delivery in Regional and Remote Areas

CNSWJO submits that regional collaboration is the most practical, cost-effective and scalable pathway to improve service delivery outcomes in regional and remote communities.

In Central NSW, the Water Utilities Alliance (WUA) and its Regional Water Loss Management and Efficiency Hub (WLME Hub) project demonstrate that collaborative models can deliver many of the benefits commonly associated with scale, including specialist expertise, workforce capability, operational efficiency and improved planning, without requiring amalgamation, corporatisation or the transfer of ownership away from local communities.

Why collaboration is needed

Regional and remote water utilities face well-known structural challenges, including small customer bases, large geographic service areas, ageing infrastructure, workforce shortages, increasing regulatory requirements, limited access to specialist expertise and exposure to drought, flood and climate variability.

These challenges are not caused by poor local governance. They reflect the practical reality of delivering essential water and sewerage services across dispersed regional communities. In this context, reform should strengthen the capability of local government-owned utilities rather than replace them.

Regional collaboration provides a practical middle path. It allows councils to retain local ownership and accountability of their water utility services while sharing expertise, coordinating investment, building workforce capability, improving procurement outcomes and supporting more consistent service standards.

Evidence from Central NSW

The Central NSW Water Utilities Alliance (WUA) is a voluntary collaboration of 11 council-owned water utilities—Bathurst, Blayney, Cabonne, Cowra, Forbes, Lachlan, Lithgow, Oberon, Orange, Parkes and Weddin—and the regional water county council, Central Tablelands Water. Covering a large and diverse area of Central NSW, the Alliance provides a framework for councils to work together on shared water industry challenges and opportunities, strengthening regional capability and collaboration.

The Alliance provides a proven example of a mature regional collaboration model that has delivered measurable benefits for member councils, customers and governments over more than 15 years. Importantly, those outcomes have been achieved while preserving local ownership and decision-making, demonstrating that structural reform is not the only pathway to improved performance and service outcomes.

Established in 2009 and recognised by both the NSW and Federal Productivity Commissions, the Alliance has a strong record of delivering practical outcomes for its members. These include regional operator training¹, joint procurement, water quality auditing, performance benchmarking, regulatory support, asset management improvements, and coordinated input into policy and program development.

Measurable value delivered through regional collaboration

CNSWJO's long-standing coordination role demonstrates the practical value of regional collaboration. By working collectively, member councils have been able to attract external investment, access shared expertise, reduce costs and build workforce capability in ways that would be difficult for individual councils to achieve alone.

¹ https://centraljo.nsw.gov.au/content/uploads/CNSWJO-Water-Operator-Case-Study_Final_V4-2.pdf

- Since 2019, CNSWJO has attracted \$835,389 in grant funding for water operator training, supporting the training of more than 166 operators from member councils.
- CNSWJO has also secured \$1.4 million in grant funding for water loss management and water efficiency initiatives.
- Together, these programs represent \$2,235,389 in grant funding secured for regional water programming on behalf of member councils.
- Regional delivery has generated \$70,543 in savings through reduced course costs and participant travel, and a further \$389,214 in savings through jointly procured regional contracts, representing total collective savings of \$459,757 for member councils.

Management fees from jointly procured contracts also provide a modest income stream to CNSWJO, helping to sustain further regional water programming and reduce reliance on one-off project funding.

CNSWJO Regional Water Loss Management and Efficiency Hub

The CNSWJO Regional Water Loss Management and Efficiency Hub, co-designed with, and funded by, the NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW), provides a contemporary example of collaborative regional water management in practice.² Since 2023, the partnership between the CNSWJO, its member councils and NSW DCCEEW, has enabled the piloting and implementation of the Hub to support councils across regional NSW to embed practical water loss management and water efficiency practices into day-to-day operations.

The WLME Hub provides a practical example of how governments can achieve policy objectives through regional delivery partnerships rather than multiple individual council programs. By coordinating expertise, training, procurement, technical support and knowledge sharing through a single regional platform, the Hub achieves economies of scale while remaining responsive to local circumstances.

The Hub delivers targeted support tailored to each council's water loss management maturity and capability, including:

- water loss management maturity assessments and action planning,
- leak detection, acoustic logger and pressure management training,
- peer learning through regional technical and operational networks,
- specialist support for bulk metering, leak detection and network optimisation,
- development of water supply system schematics and improved network knowledge,
- enhanced data collection, monitoring, analysis and reporting,
- water efficiency communications and community engagement tools,
- improved asset management and understanding of water and energy use,
- coordinated procurement, contract management and access to specialist technical resources, and
- expansion of the Hub model to the Riverina Murray Joint Organisation (RAMJO) and Western Councils Water Alliance (WCWA) regions.

The Hub is helping councils strengthen water loss management practices, improve water efficiency and asset performance, and build long-term water security. By working together, councils can access expertise, resources and support that would be difficult or costly to obtain individually, delivering benefits for both communities and governments.

² [CNSWJO WaterManagement C16.pdf](#)

The Hub demonstrates that regional collaboration is not simply a governance arrangement. It is an operational delivery model capable of improving water security, reducing water losses, strengthening workforce capability and accelerating adoption of best-practice water management across multiple councils simultaneously.

The success of the WUA and WLME Hub demonstrates the value of regional collaboration in addressing shared water management challenges. The model has delivered practical improvements in workforce capability, asset management, innovation and operational resilience, while highlighting the importance of dedicated coordination, sustained funding, specialist expertise and locally adaptable tools.

The regional Hub model delivers shared value to councils and their communities as well as other levels of government.³ It helps governments work more effectively with councils across the region by providing a single point of coordination, making it easier to deliver programs, share information and respond to local needs. By bringing councils together, the Hub reduces duplication, improves the value of government investment and supports the faster uptake of water-saving technologies and better management practices. It also helps achieve broader outcomes, including improved water security, climate resilience, energy efficiency and long-term sustainability. The model is practical, cost-effective and can be adapted in other regions to support the coordinated delivery of government priorities.

The effectiveness of the regional Hub model was recognised through the Australian Water Association NSW Organisational Excellence Award in March 2026. This recognition reflects not only the success of the current project but also more than a decade of collaboration, trust and continuous improvement between member councils and NSW Government agencies. The award demonstrates that sustained regional partnerships can deliver innovation and measurable outcomes at scale.

Reforms sought

The CNSWJO recommends that the Productivity Commission explicitly recognise Joint Organisations, regional alliances and other collaborative regional models as core enabling delivery partners for water reform in regional Australia.

Governments should support and incentivise collaborative delivery models through:

- dedicated funding for regional alliance coordination and capability building,
- recognition of Joint Organisations and regional alliances as preferred delivery partners for regional water programs,
- grant criteria that reward collaboration, shared services and cross-boundary projects,
- funding for shared technical specialists, regional training, data platforms and knowledge hubs,
- support for joint procurement, benchmarking and shared regulatory tools,
- streamlined reporting requirements for councils participating in collaborative models, and
- mechanisms to transfer successful regional models between jurisdictions.

Short-term project funding alone is not sufficient to embed reform. The WLME Hub experience shows that sustained investment in coordination, relationship-building and implementation support is required to translate policy objectives into measurable service improvements for regional communities.

Role of the Australian Government

The Australian Government can accelerate adoption of collaborative service delivery models by:

- establishing funding streams for regional water utility alliances,

³ <https://centraljo.nsw.gov.au/content/uploads/Case-Study-WLM-Collaborative-Approach.pdf>

- supporting knowledge transfer between regions and jurisdictions,
- recognising collaborative governance models in Commonwealth funding programs,
- funding demonstration projects that showcase shared-service approaches, and
- supporting workforce development, operator training and regional skills initiatives.

The key reform task is not to replace local government-owned utilities. It is to provide the policy, funding and regulatory settings that allow successful regional collaboration models to be sustained, scaled and replicated across regional Australia.

Without dedicated support for regional coordination, governments risk continuing to fund fragmented projects rather than building the enduring institutional capability required to deliver long-term reform outcomes.

Information Request 5 – Sustainable Funding for Service Improvements in Small Towns and Communities

The CNSWJO strongly supports replacing ad hoc, grant-dependent funding models with transparent and ongoing Community Service Obligation (CSO) arrangements. Many regional and rural communities are unable to fully recover the cost of providing safe and reliable water services through user charges alone due to small customer bases, high fixed infrastructure costs, climate variability, geographic isolation and increasing regulatory obligations.

Well-designed CSO arrangements would:

- provide greater funding certainty,
- support long-term infrastructure planning and asset management,
- align investment with agreed community service outcomes,
- improve transparency regarding the level of government support provided, and
- reduce reliance on short-term and competitive grant programs.

CSO funding should be directly linked to the delivery of a clearly defined Basic Level of Service (BLOS) and underpinned by transparent methodologies that reflect the efficient cost of service provision.

A clearly defined Basic Level of Service and a transparent CSO framework should be considered complementary reforms. Together they provide a mechanism for defining community expectations, identifying efficient service costs and transparently funding the gap between customer revenue and the cost of delivering agreed service standards in smaller regional communities.

A BLOS should establish minimum service standards for:

- drinking water quality and public health,
- service reliability and continuity,
- drought preparedness and water security,
- wastewater management,
- flood resilience and emergency response, and
- customer communication and transparency.

While a consistent statewide framework is desirable, it must be sufficiently flexible to account for local conditions, including source water characteristics, climate risks, geographic factors and community expectations.

The absence of a clearly defined BLOS in NSW has created uncertainty about the services regional communities should reasonably expect and the level of investment required to achieve them. Establishing a BLOS would provide a stronger foundation for service planning, performance assessment and sustainable funding arrangements.

Future funding frameworks should also support investment in resilience and adaptation measures, including drought preparedness, flood mitigation, alternative water supplies, water conservation programs, recycled water schemes, stormwater harvesting and the management of emerging contaminants such as PFAS.

Information Request 6 – Consumer-Led Planning, Monitoring and Evaluation

CNSWJO supports greater community participation in water planning and investment decisions. However, smaller regional utilities frequently lack the resources required to undertake sophisticated customer engagement processes. Any reforms in this area should therefore be proportionate, practical and aligned with existing local government planning frameworks.

Nationally consistent engagement tools could assist regional providers by reducing duplication, improving benchmarking, supporting consistent customer outcome reporting, informing BLOS development and improving accountability.

Any standardised tools must remain flexible enough to accommodate local contexts and community priorities. Existing local government Integrated Planning and Reporting frameworks should be recognised and used wherever possible rather than creating parallel engagement requirements. This would reduce duplication and regulatory burden while strengthening accountability.

Information Request 7 – Nationally Consistent Reporting on Drinking Water Quality

CNSWJO supports improved transparency and consistency in drinking water quality reporting. National reporting standards would improve public confidence, facilitate benchmarking across jurisdictions, better target infrastructure investment and improve accountability for service outcomes.

Any national approach should:

- use existing state reporting systems where possible,
- minimise duplication,
- avoid additional administrative burden,
- be proportionate to provider size and risk profile, and
- support continuous improvement rather than create a compliance exercise only.

Information Request 8 – Role of Australian Government Investment and Funding Programs

CNSWJO welcomes the Commission's consideration of the role of Commonwealth investment programs.

Regional water utilities are often expected to support housing growth, economic development, industrial investment and climate resilience outcomes. However, existing funding assessment methodologies frequently fail to adequately recognise these broader economic and social benefits, particularly in communities where population size limits the quantifiable benefits captured through traditional benefit-cost analysis.

A significant barrier currently facing NSW councils is the inability of Local Water Utilities to directly access Commonwealth funding programs such as the National Water Grid Fund. This creates an unnecessary

layer between project identification and funding delivery and can hinder development of regional solutions.

Councils should be able to seek direct access to Commonwealth funding where robust business cases demonstrate clear community benefit.

The Commission should also recommend reforms to infrastructure appraisal frameworks to better recognise:

- the economic value of secure town water supplies,
- productivity benefits,
- community resilience,
- public health benefits,
- avoided economic losses associated with drought and flooding, and
- the enabling role of water infrastructure in housing, industry and regional growth.

Current benefit-cost methodologies frequently undervalue these broader community outcomes, resulting in underinvestment in critical regional water infrastructure.

Future Commonwealth funding should prioritise cross-council water security solutions, regional pipeline networks, integrated surface and groundwater projects, water conservation initiatives, innovative water management technologies and flood-resilience projects.

Additional Matters

Recognition of town water as critical economic infrastructure

Reliable town water infrastructure underpins regional development by enabling housing delivery, supporting local industry and agriculture, facilitating renewable energy and manufacturing investment, protecting public health and strengthening community resilience during drought, flood and other emergencies.

National water reform should explicitly recognise town water infrastructure as critical enabling economic infrastructure, with policy settings and investment frameworks that reflect its broader economic and social value in the same way as transport, energy and telecommunications networks.

Conclusion

CNSWJO welcomes the Productivity Commission's interim directions and notes the strong alignment between many of the proposed reform themes and the priorities consistently raised by regional councils.

The Commission has an important opportunity to embed reforms that recognise the unique circumstances of regional and remote water service providers while strengthening service outcomes for communities.

In particular, CNSWJO urges the Commission to support:

- adoption of a Basic Level of Service framework,
- transparent Community Service Obligation funding arrangements,
- recognition of regional collaboration as a core reform mechanism,
- increased investment in regional capability, workforce development and shared services, and

- funding frameworks that recognise the full economic and social value of town water infrastructure.

The experience of the Central NSW Water Utilities Alliance and the Regional Water Loss Management and Efficiency Hub demonstrates that well-supported regional collaboration can deliver measurable improvements in service delivery, water security and organisational capability while preserving local ownership and accountability. The key reform challenge is not whether local government should continue to own and operate regional water utilities. Rather, it is how governments can create the funding, regulatory and institutional settings that enable regional utilities to collaborate, innovate and deliver sustainable services for future generations.

If you require further information or clarification on comments in this submission, please contact me

Yours sincerely,

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