

10 July 2026

Productivity Commission

Submitted via website at: <https://www.pc.gov.au/inquiries-and-research/water-reform-2026/make-submission/>

## **NSW Water Directorate submission – National Water Reform 2026 Call for submissions – March-April 2026**

Thank you for the opportunity to respond to the PC's Interim Update Report 1.

The NSW Water Directorate is the peak industry body for 89 Local Water Utilities providing water and/or sewerage services serving 2 million people across regional NSW. Further information about us can be found at: <https://www.waterdirectorate.asn.au/aboutus>. As we have made opening comments in our initial submission<sup>1</sup> on 24 April, we will endeavour to avoid repeating content from that submission.

We are not able to address all the questions in Interim Update Report 1 in the time available, so have responded only to specific themes.

### **Information request 1 – Improve accountability for pricing trade-offs**

#### **Enabling timely investment in long-term assets**

There is a backlog of water and sewerage infrastructure investment in regional NSW in excess of \$5 billion. While alternative funding models are under consideration<sup>2</sup>, the LWU reform process is only targeted at small utilities that can't fund expenditure needs to achieve a Basic Level of Service. Larger regional utilities have funding challenges to invest in large, long term assets such as dams and major treatment plant and network upgrades. Funding support is required to enable these investments to smooth out capital funding demands and create rapid, unaffordable price increases.

### **Information request 2 – Support more integrated planning, charging and regulation**

#### **Reduce regulatory burden**

Regional NSW continues to face challenges with prescriptive regulation, and insufficient coordination between regulating agencies. This was recognised in Recommendation 11 of the NSW PEC report<sup>3</sup>:

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<sup>1</sup> Submission 69, available at: <https://www.pc.gov.au/inquiries-and-research/water-reform-2026/submissions/>

<sup>2</sup> *Local Water Utility reform*, available at: <https://www.water.dcceew.nsw.gov.au/our-work/local-water-utilities/local-water-utility-reform>

<sup>3</sup> PEC 2024 *Review of funding models for local water utilities* available at: <https://www.nsw.gov.au/departments-and-agencies/nsw-productivity-and-equality-commission/document-library/review-of-funding-models-for-local-water-utilities>

**Recommendation 11: Ensure that implementation of minimum standards across the sector is efficient.**

*To ensure implementation of minimum water quality standards is efficient, NSW Health and the EPA should publish and implement a regulatory and enforcement strategy consistent with the NSW Government Guide to Better Regulation.*

*NSW Health and EPA should conduct Regulatory Impact Statements (RISs) of their minimum standards. NSW Health and the EPA should contribute to DCCEE's development of a Sector Priorities Plan, including scoping aggregate cost and financial implications of relevant standards and setting priorities for investment.*

*These processes should result in an approach on how to implement standards for LWUs where the cost of compliance is unacceptably high.*

NSW PEC 2024

The Water Directorate supports an outcomes-focused, less prescriptive approach to water utility regulation, and encourages a 'more joined up' approach to regional water utility regulation across the numerous regulating agencies, that includes NSW DCCEE Water, NSW Health, EPA, Office of Local Government, Dams Safety NSW.

The Water Directorate would also encourage explicit interaction between NSW DCCEE and Commonwealth DCCEE on support for regional and remote water services, especially strategies and funding programs to address water security, drinking water and environmental risks and service level deficits. The investment needs should be listed as a national priority in Infrastructure Australia's Infrastructure Priority List<sup>4</sup>.

#### Information request 4 – Service delivery in regional and remote areas

##### Specific cases of existing or prospective collaborative models

Specific case studies have been provided in our initial submission<sup>5</sup> that support collaboration:

- Water Utility Alliances such as the (NSW) [Western Councils Water Alliance](#)
- Joint Organisation's<sup>6</sup> of councils such as [Central NSW JO](#), [RAMJO](#), or [Northern Rivers JO](#)
- County Councils including [Central Tablelands Water](#), [Rous](#), [Goldenfields Water](#) and [Riverina Water](#)

The [Town Water Risk Reduction Program](#) includes NSW government funded collaborative support models including assistance from state owned corporations<sup>7</sup>, and technical assistance programs such as [Advanced Operational Support](#), [Regional Leakage](#)

<sup>4</sup> Infrastructure Australia *Infrastructure Priority List*, available at: <https://www.infrastructureaustralia.gov.au/ipf>

<sup>5</sup> Submission 69, available at: <https://www.pc.gov.au/inquiries-and-research/water-reform-2026/submissions/>

<sup>6</sup> A full list of 13 Joint Organisations of regional councils in NSW is available at: <https://www.olg.nsw.gov.au/programs-and-initiatives/joint-organisations>

<sup>7</sup> Such as WaterNSW, details available at: <https://www.watnsw.com.au/projects/town-water-risk-reduction-program>

[Management](#) and [Skills, Training and Workforce Development](#). It is uncertain whether these NSW government programs will continue beyond 2028.

### **What state reforms would expand adoption**

Most of these support programs are pilots or limited term initiatives. The challenge is to incentivise regional collaboration with a dedicated, stable, long-term funding program, such as through an explicit Community Service Obligation co-funded by the NSW and Commonwealth governments.

### **How could the Australian government support jurisdictions**

National Water Grid funding should be extended to small regional water and wastewater services. The National Water Grid fund criteria should be amended to include ongoing Community Service Obligations for regional utilities that cannot raise sufficient revenue to cover their efficient ongoing costs.

### **Information request 5 – Sustainable funding for service improvements in small towns and communities**

#### **Basic level of services (BLOS) / Community service obligation (CSO) payments**

An important point we would raise on performance indicators that measure service outcomes is that regional water utilities exist in a wide range of operating contexts, ranging from wet coastal areas to arid inland areas, highly variable surface water and groundwater quality and accessibility. Geographical distance, population density and socio-economic status are also factors that are generally not within the control of regional water utilities. Context is the key, a one-size-fits-all approach is rarely appropriate.

Climate variability is a major impactor on regional water utility performance. Investment in resilient water services is critical.

As stated in our initial submission, it is important to note that traditional benefit-cost assessments have not always captured the significant social and economic costs that can accrue with total town water supply failure that must be avoided under any circumstance. Water is an essential service critical to human life and cannot afford to fail. Regional NSW provides strong GDP per capita, across industries including mining, tourism, and food production but the rate base in many small communities on its own is too low to cost effectively deliver water and sewerage services.

### **Information request 6 – Standardised tools for consumer-led planning, monitoring and evaluation**

#### **How could standardised tools be adapted to local needs and contexts**

It is very unlikely that tools used for consumer led planning with metropolitan water services are appropriate for small communities with very small survey sample sizes. Regional NSW water utilities are local government owned. There is already a mandatory Integrated

Planning and Reporting framework<sup>8</sup> in NSW regulated by the NSW Office of Local Government that includes a Community Engagement Strategy as part of the required suite of strategic plans. The IP&R Framework is sufficiently flexible to be scaled for large and small communities, and can comfortably incorporate water and sewerage service planning, monitoring and evaluation.

We acknowledge the existence of NSW DCCEEW's Regulatory and Assurance Framework (the RAF)<sup>9</sup> which provides guidance to local water utilities in regional NSW on understanding customer needs. Unlike the NSW IP&R framework for local government, it is not mandatory. The RAF is also too prescriptive and resource intensive, duplicates the mandatory IP&R framework and isn't fit for purpose for small, resource constrained water utilities. Water Directorate has called for further review and simplification of the RAF.

### **Information request 7 – Nationally consistent reporting on drinking water quality**

#### **Is legislative change to enact reporting standards the most appropriate way**

Water Directorate supports NSW Health providing drinking water data and reports at a statewide level on individual water supplies in a consistent format that is easy for communities to understand. If this requires legislative change, this would be supported.

### **Information request 8 – Role of Australian Government investment and funding programs**

#### **Improvement of governance arrangements / Opportunities to improve through existing Australian government programs**

There is a backlog of water and sewerage infrastructure investment in regional NSW in excess of \$5 billion. While alternative funding models are under consideration<sup>10</sup>, the LWU reform process is only targeted at small utilities that can't fund expenditure needs to achieve a Basic Level of Service. Larger regional utilities also have funding challenges to invest in large, long term assets such as dams and major treatment plant and network upgrades. Funding support is required urgently to enable these investments.

As stated elsewhere in this submission, it is important to note that traditional benefit-cost assessments have not always captured the significant social and economic costs that can accrue with total town water supply failure that must be avoided under any circumstance. Water is an essential service critical to human life and cannot afford to fail. Regional NSW provides strong GDP per capita, across industries including mining, tourism, and food production but the rate base in many small communities on its own is too low to cost effectively deliver water and sewerage services.

National Water Grid funding should be extended to small regional water and wastewater services. The National Water Grid fund criteria should be amended to include ongoing

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<sup>8</sup> Available at: <https://www.olg.nsw.gov.au/councils/policy-and-legislation/integrated-planning-and-reporting>

<sup>9</sup> Available at: <https://www.water.dcceew.nsw.gov.au/our-work/local-water-utilities/regulatory-and-assurance-framework>

<sup>10</sup> *Local Water Utility reform*, available at: <https://www.water.dcceew.nsw.gov.au/our-work/local-water-utilities/local-water-utility-reform>

Community Service Obligations for regional utilities that cannot raise sufficient revenue to cover their efficient ongoing costs.

### Conclusion

Thank you for the opportunity to make this submission. We consent to this submission being published in the public domain.

For further information, please contact Executive Officer Brendan Guiney on or by email at

Yours sincerely,

**Brendan Guiney**  
**Executive Officer**  
**Water Directorate**