



“Regional Centre in Western NSW”

Submission
NSW Productivity Commission
Review of Funding Models for LWUs

Thursday, 28 March 2024

SUBMISSION – REVIEW OF FUNDING MODELS FOR LOCAL WATER UTILITIES

On behalf of Cobar Shire Council, I welcome the opportunity to make a submission on the Productivity Commission’s Review of Funding Models for Local Water Utilities.

Cobar Shire Council is a small Local Water Utility, responsible for the supply of potable and non-potable water and sewerage services to its customers including several mines. Council also operates a number of small water supply schemes to supply raw water to the towns of Canbelego, Euabalong, Euabalong West, Mount Hope and Nymagee for non-potable use.

Bulk raw water for treatment is sourced from the Bogan River at Nyngan, via the 130km long Nyngan to Cobar pipeline. When the Bogan River isn’t flowing, water is transferred from the Macquarie River to the Bogan River via the 67km long Albert Priest Channel. It is estimated that 50% of the raw water supplied from the Macquarie River is lost to evaporation and infiltration, significantly impacting on water security.

The Cobar water supply system is tenuous at best and very high cost to operate and maintain. From an affordability perspective, the full cost to supply water to Cobar and our towns far exceeds the capacity of the community to pay. Consequently, Council and the community it serves is very reliant on externally sourced funding for the provision of safe and secure water supply and sewer services.

The scarcity, randomness and uncertainty of funding makes it very difficult for Council to plan for and deliver safe and secure water supply and sewer services with any confidence. Much of the water and sewer infrastructure is end of life with critical upgrades and renewals being undertaken on an adhoc basis driven by the amount of funding secured rather than what is needed to ensure safe and secure water supply and sewer services in the short, medium and long term.

On behalf of Cobar Shire Council, I very much support the review and hope that it results in a more robust and secure funding model for Local Water Utilities.

Challenge from current funding models

- The best practice requirement for small/medium LWUs to undertake full-cost recovery is unachievable for Cobar Shire Council. The asset base to population ratio is significantly

unbalanced with recent financial modelling indicating that full cost recovery would result in pricing well beyond what the community can afford.

- The effect is exaggerated in satellite towns such as Canbelego, Mt Hope, Nymagee and Euabalong where the population base is less than 200 people each. These communities simply cannot afford to pay for depreciation on reservoirs, pump stations and pipelines, let alone the operation and maintenance required for these systems.
- Current funding models do not fund the small satellite communities mentioned above.
- Charging higher amounts in a low socio-economic region negatively impacts on the community in terms of sustainability, growth, and social impacts. The UN Committee has stated that the human right to water entitles everyone to sufficient, safe, acceptable, physically accessible and affordable water for personal and domestic uses.
- Cobar Shire Council is heavily reliant on grant funding to replace or repair failing infrastructure. Current funding models goals and objectives tend to be misaligned with smaller Councils

Funding model principles

- Funding models should look to estimating the efficient and prudent costs of operating and maintaining the asset base specific to the LWU. This cost should then be compared to the charges that the community can reasonably afford. The gap should be funded by a CSO and come with obligation and oversight from the regulator to ensure that the CSO funding is being utilised efficiently and appropriately.
- The typical costs for running a water utility like Cobar is not comparable to other water utilities due to the unique nature of the water supply system. Our water supply is analogous to the Broken Hill water scheme without the government subsidies.
- Standardisation or ‘franchising’ of LWUs may help increase the efficiency and performance of LWUs. This initiative needs to be driven at a State level through the regulator working hand-in-hand with the industry bodies such as the Water Directorate and take into account the uniqueness of individual LWUs. LWUs are left re-inventing the wheel when it comes to assets, maintenance, safety, etc. which can be inefficient.

Minimum service levels

- Minimum service levels should be determined by reference to the level of risk that the Government body funding the CSO is willing to achieve. It would be an ideal to achieve safe drinking water for all, however, the costs of achieving this may be prohibitively expensive.
- Barriers include insufficient staffing resources to measure and report against service levels. Staff in remote communities are under-resourced and unlikely to reference a service level. They would be doing the best they can with the resources they have available and that is the level of service delivered. Setting a goal for small LWUs that is simply unachievable is not worth setting.

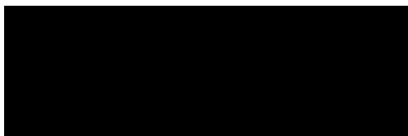
Alternative funding options

- The desired outcome of alternative funding options would be the efficient and prudent running of LWUs. That ensures sufficient funding to ensure adequate operations, maintenance, and asset management.

- Council cannot afford to fund the replacement of critical assets on its own and loans would only serve to burden Council further.
- Climate change risks is not a risk that Cobar has the luxury of considering at this time. Pump stations, pipelines and other water/sewage infrastructure are actively failing having exceeded end-of-life. Failing water and sewer infrastructure is the current priority rather than considering how climate change would impact our ability to deliver.

Please don't hesitate contact myself via return email or phone if I can provide further information and/or clarification to support this submission.

Yours faithfully,



Peter Vlatko
GENERAL MANAGER