**Minister for Water; Forestry; Innovation and ICT; Science; Youth**

Our ref: 75-13767

Ms Jane Doolan
Commissioner
National Water Reform Inquiry
Productivity Commission
Locked Bag 2
Collins Street East
MELBOURNE VIC 8003

Dear Ms Doolan

**WESTERN AUSTRALIAN GOVERNMENT SUBMISSION TO NATIONAL WATER REFORM PRODUCTIVITY COMMISSION ISSUES PAPER – MAY 2020**

The Western Australian Government welcomes the Productivity Commission's Inquiry into National Water Reform and appreciates the opportunity to comment on the issues paper.

Many of the current and emerging issues considered in the issues paper, including climate change impacts, Indigenous water use and investment in new water infrastructure, are topics that are directly relevant to Western Australia.

Western Australia's experience of the National Water Initiative is that it does not adequately reflect or offer sufficient flexibility to account for the water resource management challenges and service delivery arrangements in the State. The Western Australian Government continues to tackle the complex issues of climate change, drought, and long-term declines in stream flows and groundwater levels in the South West, through water supply systems sourced predominantly from groundwater and desalination. The prescriptive measures in the National Water Initiative for achieving water management outcomes are most appropriate for large interconnected surface water systems such as the Murray-Darling Basin, and do not provide the tools required to meet the unique water management challenges in Western Australia.

The narrowly defined mechanisms in the National Water Initiative have also become a barrier to funding opportunities for Western Australia for projects best suited to meeting local water resource management and supply objectives. Since the introduction of the Murray-Darling Basin Plan in 2013, less than two per cent of Commonwealth funding for water management initiatives has come to Western Australia. The focus in Western Australia is on proactive long-term planning of future supplies for urban, regional and rural communities, through the development of innovative water sources such as desalination, aquifer recharge and recycling, as well as encouraging water efficiency. This has avoided the over-development of water-intensive industries that are not sustainable under climate change.

Level 8, Dumas House, 2 Havelock Street, West Perth, Western Australia, 6005
Telephone: +61 8 6552 6100 Facsimile: +61 8 6552 6101 Email: minister.kelly@dpc.wa.gov.au

Almost all of Western Australia's water, wastewater and drainage services are provided by Government-owned entities. This has served the State well in terms of responding to the long-term effects of climate change, prudent investment decisions and affordable water services.

The Western Australian Government supports and encourages fit-for-purpose measures and guidance to ensure the efficient management of water across Australia. National water reform has the potential to support all jurisdictions equally to develop secure water supplies in the face of climate change and increasing extreme events.

However, Western Australia remains to be convinced that a renewed National Water Initiative would provide material benefits for the State, in terms of more significant Commonwealth investment in water management, or helping to improve Western Australia's water resource management.

Should you require further information to clarify any aspects of this submission, please contact Ms Sarah McEvoy, Executive Director Strategic Policy, Department of Water and Environmental Regulation

Yours sincerely

Hon Dave Kelly MLA
**MINISTER FOR WATER**

25 AUG 2020

Att.

# Attachment: National Water Reform – Productivity Commission Issues Paper, May 2020 – Western Australian Government's submission

| INFORMATION REQUEST | COMMENT |
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| **ASSESSING JURISDICTIONAL PROGRESS** | |
| **Are the signatories to the NWI are achieving the agreed objectives and outcomes of the agreement?** | While some of the objectives and outcomes of the National Water Initiative are aligned with the direction of water management in Western Australia, the National Water Initiative has generally not served Western Australia well. In some instances, Western Australia's water reform process has not followed the National Water Initiative, as other approaches have proven better suited to the particular water systems and water resource management challenges in Western Australia. |
| **Which elements of the NWI have seen slow progress?** | Not all elements of the National Water Initiative are beneficial in Western Australia therefore those which do not help to meet the State's water management challenges have not been progressed.<br><br>Western Australia provides for environmental releases as part of surface water licences, or retaining water in the environment (rather than returning it) through water allocation plans. These approaches have been successful in avoiding some of the problems of over-allocation seen in the Murray-Darling states.<br><br>In Western Australia, the water licence is the primary regulatory instrument. Managing cumulative impacts and resource protection from over-allocation is achieved through using the allocation plans to guide water licensing, and setting aside water for the environment before allocating water for other uses.<br><br>Transparency around water management considerations is provided through publicly available water allocation plans, and the publication of water licence decisions where proposals are assessed by the Environmental Protection Authority. |
| **Are there cases where jurisdictions have moved away from the actions, outcomes and objectives of the NWI?** | Water trading occurs in Western Australia, where appropriate. The dependency on groundwater resources in Western Australia means that it cannot occur to the scale envisaged by the National Water Initiative for Murray-Darling Basin type surface water systems. |

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| | Western Australia does not support privatisation of water utilities. Government owned water utilities have served the State will in delivering services to customers while addressing the issues of climate change in Western Australia. |

## Assessing the adequacy of the NWI to meet current and emerging challenges

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| **Is the NWI adequate to help governments address the identified challenges?** | The National Water Initiative has not helped Western Australia to address its water resource management challenges, including climate change driving a decline in rainfall and water resources in the South West of the State. The National Water Initiative is aimed at helping to resolve interjurisdictional conflicts around water sharing, which is a policy driver that is not relevant to Western Australia.<br><br>Almost all Commonwealth water funding programs require projects to be compliant with the NWI to be eligible, restricting the ability of Western Australian projects to be considered. There remains a substantial difference between investments made by the Commonwealth in Western Australia and in other jurisdictions. Since 2007-08, Western Australia has only received around 2 per cent of the $15bn in Commonwealth water funding with most directed to the Murray Darling Basin. |
| **Are there any other current or emerging water management challenges where the NWI could be strengthened?** | Climate change impacts in different areas across Australia have been severe. Ongoing climate change in the South West of Western Australia is the most significant challenge that the State's water resource managers and service providers have faced. For example, streamflow into dams has reduced from an average of 420 billion litres per year, pre-1975, to an average of 72 billion litres over the past five years, representing an 83 per cent reduction in average streamflow. The National Water Initiative should guide the policy response for social, economic and environmental outcomes.<br><br>The rights of Indigenous Australians to water, for social and economic use as well as for cultural purposes, is a priority for Western Australia. The development of waterwise towns and cities, through integrated water management and innovative solutions, to achieve productive, liveable and highly amenable communities, is also a priority focus. |

## Future reform directions

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| **The commission welcomes feedback on the matters that should be considered for inclusion in a renewed NWI.** | Indigenous water rights, improved urban water management and security, climate change and more recognition of groundwater-based systems are all matters that should be considered for inclusion in any national water reform agenda. |

## Water entitlements and planning

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| **How effective are water plans at managing extreme events such as severe drought?** | Climate change in Western Australia has resulted in a long-term decline in average annual rainfall with some years drier than others, rather than the extreme events seen elsewhere in Australia.<br><br>Water allocation plans are generally effective in managing these trend-based changes in water resources. Western Australia has been proactive in anticipating the impacts of climate change on water resources and building these impacts into its allocation planning and water licensing.<br><br>Much of Western Australian's agriculture sector self-supplies water captured as rainfall rather than through large regulated river systems. Rainfall in 2018-2019 across the Great Southern region of the state was insufficient to replenish on-farm and community water sources resulting in twelve water deficiency declarations being put in place and State Government carting water for emergency livestock water. These areas are not covered by water allocation plans as there are generally no natural water systems and little to no competition for water in these areas.<br><br>Water Corporations in Western Australia have been effective in managing the impacts of climate change and drought through long term planning and implementation of innovative solutions, including aquifer recharge and large scale desalination. |
| **Are NWI principles being applied at these times?** | All allocation plans account for the impacts of current and future forecast climate change. Changes to water availability and increased demand are also managed through periodic adjustments to allocation limits when plans are reviewed, adjustments to individual licences, or through Government policies. |
| **What steps have been undertaken — or should be undertaken — to plan for long term changes in climate?** | Western Australian water users and managers are continuing to adapt to climate change, with a direct impact on our demand and supply balance in Perth, South West and Great Southern regions. Ongoing water efficiency programs, network optimisation and use of alternative water |

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| | sources are essential components of our strategy to address this risk. Water allocation plans continue to manage the changes in water availability due to climate change. |
| **What lessons have recent extreme events (bushfires and COVID-19) provided for planning?** | In Western Australia, we retained an extreme events (dry years) policy mechanism to ensure there is sufficient water for public drinking water scheme supply. At the same time, we have an umbrella policy to transition to reduced groundwater use for scheme supply. It has been possible to retain the overall direction of reducing use while allowing for exceptions until sufficient climate independent supply capacity is in place.<br><br>With regard to COVID-19, the Western Australian Government Pandemic Plan outlined a whole-of-Government response to ensure all critical human water needs are met. |
| **Water accounting and compliance** | |
| **How could the NWI be amended to support best practice monitoring and compliance across jurisdictions?** | National Water Initiative reporting has focused on compliance with implementing planned mechanisms rather than water resources outcomes. It would be more effective to focus on how to achieve water resource objectives, than whether we have deployed a particular mechanism that may or may not be suitable. |
| **Environmental water management** | |
| **Are environmental outcomes specified clearly enough in water plans to guide management actions, monitoring and accountability?** | Yes, specific environmental outcomes are identified for different river and groundwater systems as water resource objectives in Western Australian water allocation plans. However, the challenge is to determine what the environment outcomes should be under continuing climate change. |
| **Are institutional and administrative settings effective in supporting these outcomes? Do environmental water managers have the necessary authority, resources and tools to achieve agreed outcomes?** | In Western Australia, environmental water managers are part of the water allocation planning technical and decision process. In addition, environmental outcomes can be supported through conditions set on water licences. |

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| **Is environmental water management (including planning for use of held water, delivery of held water, use of markets and compliance with planned environmental water) sufficiently integrated with complementary natural resource planning and management frameworks?** | Environmental water management is adequately managed though the allocation planning process. Due to the nature of the water systems within Western Australia, water is reserved in the system to meet environmental management objectives, rather than through environmental water purchases by an environmental water holder. This is integrated within the management framework. |
| **Can environmental outcomes be more cost-effectively achieved with greater and more innovative use of water markets and market-like mechanisms?** | No - Western Australia environmental water is generally retained in the system (groundwater and unregulated surface water) or managed through licensing conditions. |
| **Is the monitoring and assessment of environmental outcomes sufficient?** | WA's monitoring and assessment are sufficient. Resourcing of monitoring is targeted to water resource systems according to risk. |
| **How effective has adaptive management and planning decision-making been during the recent drought?** | While the Eastern States may have been dealing with "the recent drought", Western Australia has for several decades been adapting to long-term climate change, with some years drier than others. Where there are water allocation plans, adaptive management through an annual evaluation cycle has been fundamental to water management and decision-making.<br><br>The impacts of climate change have been evidenced in Western Australia's Great Southern and Southern Rangelands areas. In these areas, and much of Western Australia's agricultural areas, direct capture of rainfall is the predominant water source with no significant sources of natural/environmental water. |
| **Do environmental water managers maximise opportunities to achieve social or cultural outcomes alongside environmental watering? How could this be improved?** | Social and cultural outcomes are considered as part of water allocation planning with water generally retained in the system to meet such needs. The term 'environmental watering' only applies in some situations in Western Australia. |

## Indigenous water use

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| **What progress are states and territories making on including indigenous cultural values in water plans, and how are they reporting progress?** | In Western Australia, cultural values are identified and protected by leaving water in the natural system, along with environmental water. Indigenous stakeholders are consulted in the development of all allocation plans.<br><br>Increased access to water resources for cultural purposes and economic participation is now being considered using 'strategic Aboriginal water reserves' in specific situations. Advancement in this area is being progressed in consultation with Aboriginal communities. |
| **How could a refreshed NWI help indigenous Australians realise their aspirations for access to water, including cultural and economic uses?** | The Western Australian Government supports the proposal to consider the needs of Indigenous Australians in water access planning and management. A refreshed National Water Initiative should place a stronger focus on consideration of water for cultural continuity and economic development. |

## Best practice institutional arrangements

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| **Are the institutional arrangements for metropolitan water service providers fit-for-purpose? Is there evidence of inefficient pricing or investment decisions?** | Yes. Advantages of having large-scale interconnected, Government-owned, metropolitan water service providers include (as in Perth):<br><br>• capacity and scale to respond to climate change and reduced rainfall through large-scale climate independent infrastructure; and<br>• cost-effective pricing compared to small-scale climate independent options.<br><br>Government-owned water corporations are subject to budgetary constraints and investment approvals by Government. Prices are set by Government. Tariff reviews by the independent Economic Regulation Authority have in previous years provided publicly available advice to Government on cost-reflective water and sewerage charges. |

## Best practice pricing

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| **How can small regional providers best balance affordability with longer-term service quality? Are there barriers to effective local planning?** | The majority of water services in Western Australia are delivered by the Water Corporation, a Government owned utility. There are two small regional water corporations in Bunbury and Busselton (also Government owned), which deliver high quality and cost-effective services. Water services are generally priced to recover the full costs of service. Water corporations are provided with operating subsidies, through State budget processes, to deliver particular services for the |

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| | Government that are non-profitable (e.g. services to some high cost country towns, pensioner and Seniors concessions, and charities).<br><br>Water planning is easier when carried out by a single service provider across a large interconnected region, rather than co-ordinating planning across multiple services providers. |
| **Is there scope for greater collaboration between small providers? When might government support be warranted, and how should it be provided?** | There is extensive collaboration when required between water corporations and with local governments in managing local water services and water resources including drainage and groundwater. |
| **Safe and reliable water supply** | |
| **Do water service providers supply high-quality water services in regional and remote areas? Are there examples of poor water quality, service interruptions, or other issues?** | Western Australia is committed to delivering safe drinking water to maintain public health in accordance with the principles within the Australian Drinking Water Guidelines. There are over 250 drinking water schemes across the State, with robust multiple barriers to manage microbiological and chemical challenges identified through our continuous risk management processes.<br><br>A 2015 audit by the Western Australian Auditor General 'Delivering essential services to remote Aboriginal communities' concluded that the quality of drinking water in remote Aboriginal communities often fell short of Australian standards and testing of wastewater systems was irregular or incomplete.<br><br>The Western Australian Government has a program in place supporting delivery of essential utility services, including drinking water and wastewater services to remote Aboriginal communities. This includes upgrading water and wastewater facilities and supply of on-going water services. In addition to the current program of works, planning and investigations for future upgrades to other remote Aboriginal communities are underway in consultation with the communities themselves. |
| **Have regional water service providers adequately planned for extreme events?** | Regional water service providers manage these events through Operational Contingency Plans. These plans are always being improved as the frequency and likelihood of such events change. |
| **Integrated water cycle management** | |

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| **What steps have been undertaken to address the priority areas for urban water reform identified in 2017?** | The Western Australian Government has developed the *Waterwise Perth Action Plan* which identifies actions to integrated water cycle management in urban Perth. The Western Australian Planning Commission is amalgamating six State Planning Policies that deal with water resources, *Better Urban Water Management* and the *Government Sewerage Policy* into a single State Planning Policy and implementation guidelines, to create a more effective and streamlined policy suite. |
| **Is further guidance on implementing an integrated water cycle management approach for delivering water supply, wastewater and stormwater management services required?** | Guidance is plentiful. Current problems are generally the result of being unable to address water matters in enough detail early in the planning processes. For example, sub-regional and district planning recognises water limitations but does not resolve potential solutions until subdivision and development stages. |
| **How does jurisdictional urban water service planning interface with urban land-use planning at different scales? Are the roles and responsibilities clearly set out?** | Roles and responsibilities associated with land use planning are articulated through existing State planning policies and supplementary guidelines. |
| **Is the role of water in delivering amenity and liveability outcomes clear? How are the trade-offs with other NWI outcomes considered? Is it clear how the level and type of amenity delivered by urban water services will be funded?** | The role of water in delivering amenity and liveability outcomes is acknowledged through the draft State Planning Policy – planning for water.<br><br>In Perth, water amenity is mostly delivered using free, easily accessible local groundwater from shallow aquifers, not by scheme water systems. Under climate change, there is not enough groundwater to meet all amenity needs. Alternative (non-groundwater) water options are being investigated and implemented where possible.<br><br>Funding for supply is an issue in new developments and infill projects.<br><br>The Government's *Waterwise Perth Action Plan* includes specific actions to transition Perth to be a leading waterwise city by 2030, and as a result a more liveable city in a changing climate. |

## Investment in new water infrastructure

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| **Are there examples of projects that have not met the NWI criteria for new water infrastructure investment?** | Multiple projects within Western Australia have not met National Water Initiative criteria as Western Australia does not have the broad-scale surface water irrigation districts which the criteria favour. Such projects include: alternative water, water efficiencies on-farm and climate change adaptation projects. There is an urgent need to revise the criteria so they are fit for purpose for circumstances in Western Australia.<br><br>The South West of Western Australia has had a long-term decline in rainfall due to climate change rather than the intermittent periods of drought. Current criteria needs to be expanded to account for this and not only the eastern states experience of drought. |
| **What principles should inform government funding or financing of new water infrastructure?** | Funding for new water infrastructure should recognise:<br><br>• climate impacts on small-scale self-supply water users (e.g. self-supplied groundwater users in Western Australia) that have least access to cost-effective alternative water supply or water efficiency technologies;<br>• impacts of long-term climate change that are not necessarily driven by drought events including in the south west of Western Australia; and<br>• water efficiency technology such as 'on-farm' irrigation equipment, water saving technology or digital management systems, instead of large-scale water supply dams and networks. This is especially the case in Perth and south west Western Australia, where summer rain is very limited and climate change is reducing winter rainfall.<br><br>A clear economic framework is required for assessing options to meet future water demand, which incorporates integrated water cycle management. This should include:<br><br>• costs (capital and operational) to the State, developers and consumers;<br>• identification of wider social, environmental and economic benefits such as employment, carbon emissions and other relevant total water cycle management outcomes, e.g. managing water quality and hydrological regimes;<br>• consideration of desalination, recycling, rainwater harvesting systems, stormwater harvesting systems, groundwater, managed aquifer recharge and initiatives to reduce demand; and<br>• objectives that can demonstrate 'whole-of-life' infrastructure sustainability outcomes aligned to State climate and environmental performance objectives and targets. |