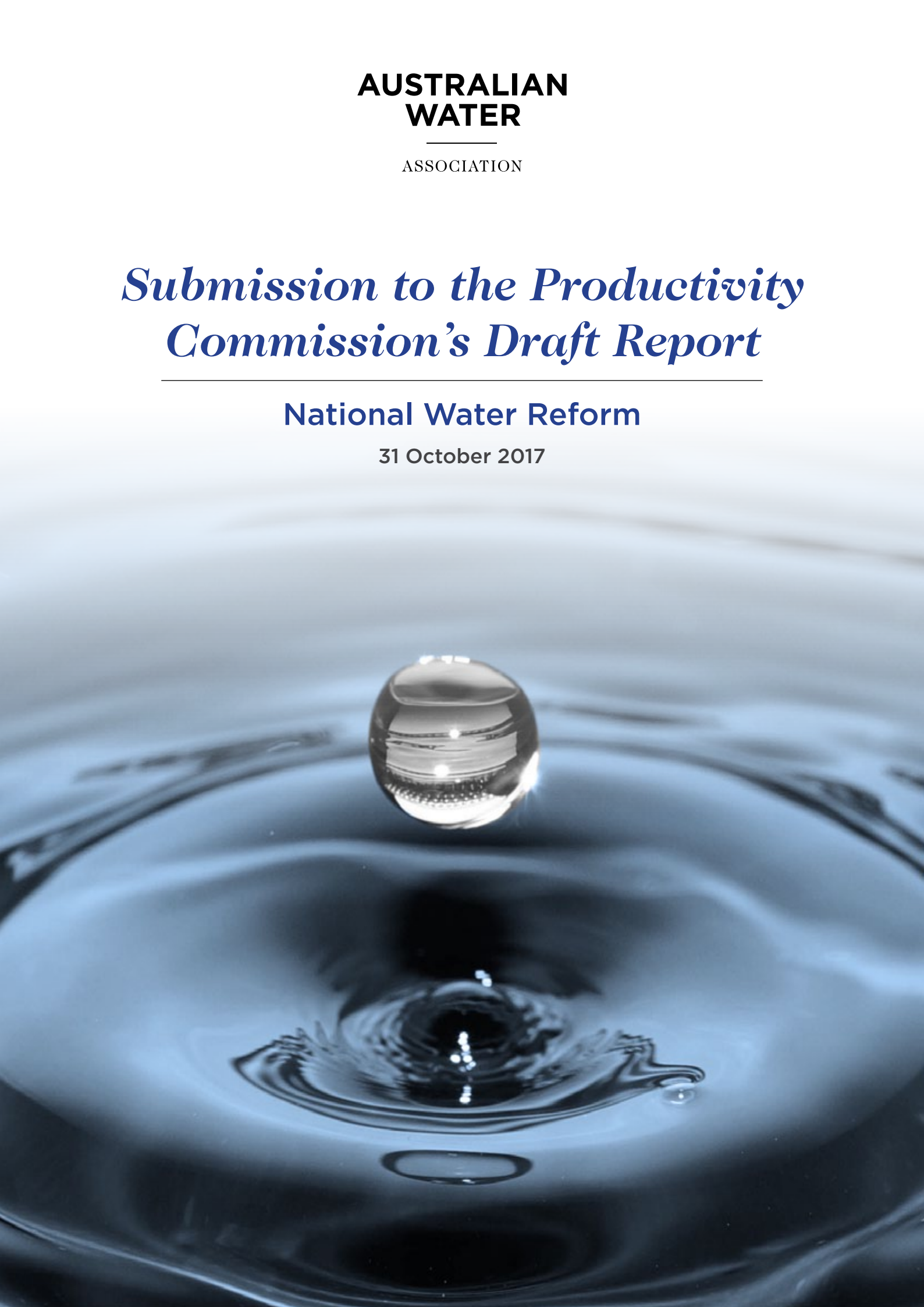
AUSTRALIAN WATER

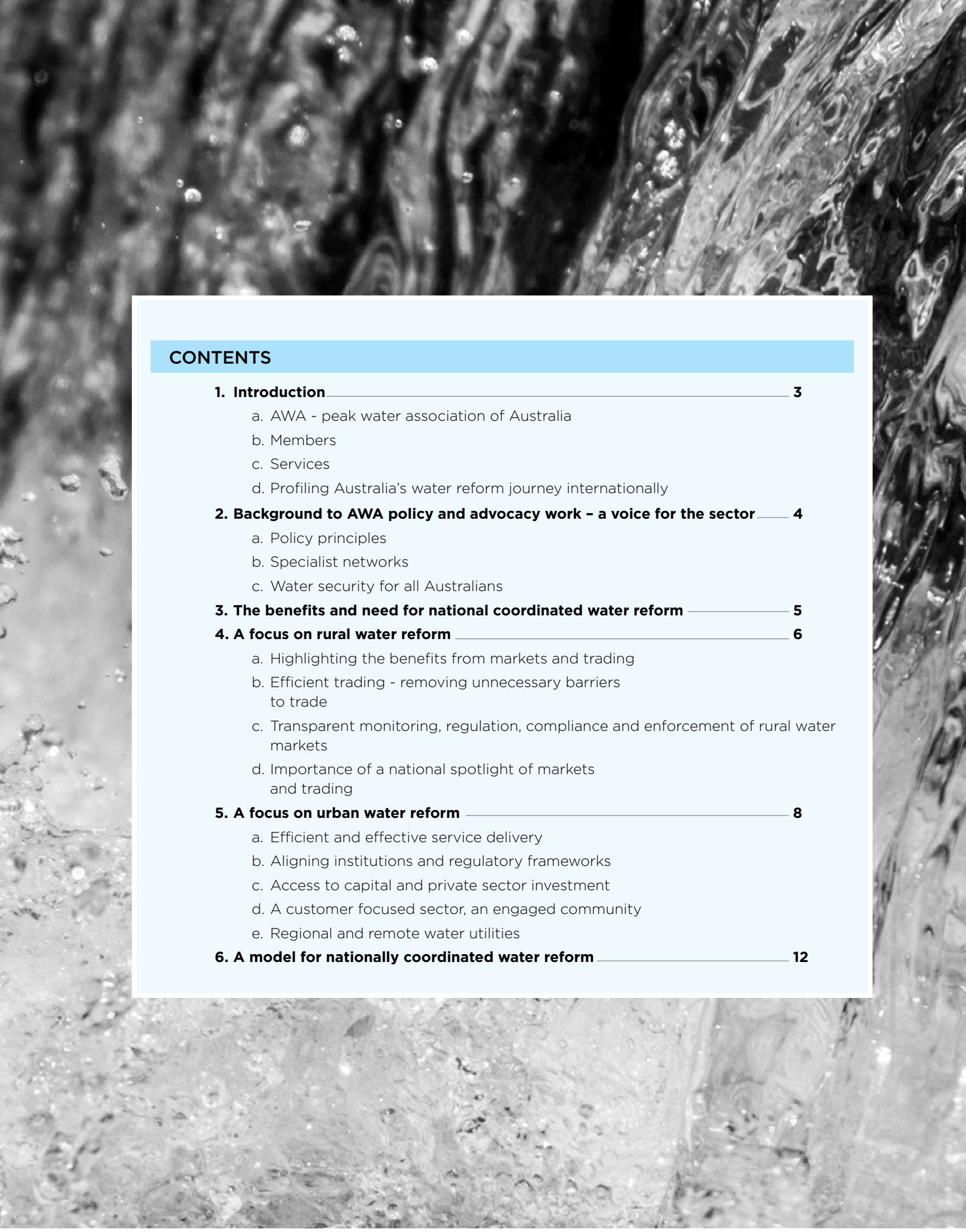
ASSOCIATION

Submission to the Productivity Commission's Draft Report

National Water Reform

31 October 2017





CONTENTS

1.

INTRODUCTION

The Australian Water Association welcomes the opportunity to provide a submission to the Productivity Commission on behalf of its 5,400 members. The Association has undertaken industry wide consultation with its members and this submission is reflective of their views and priority areas.

The Australian Water Association is the national peak water organisation, delivering information, expertise and collaboration for sustainable water management. The Association provides the platform for our water experts, practitioners and businesses to share information, grow expertise and collaborate effectively. Our membership includes professionals and practitioners working in utilities, science and research, energy and resources, manufacturing, agriculture and beyond.

We operate across all Australian States and Territories through an active branch network as well as maintaining extensive international links, including with the International Water Association. The Australian Water Association's activities are centred around a comprehensive program of conferences, workshops, publications, industry programs, training courses, networking and B2B opportunities. The Australian Water Association's annual Ozwater Conference and Exhibition is Australia's largest water industry event.

Through our extensive range of technical seminars, courses and conferences, we also provide a forum for debate and best practice dissemination at a local, national and international level. The Australian Water Association is committed to building Australia's water capabilities to maintain its position as a world leader in water management. The Australian Water Association is a key gateway to international collaboration and networking in water and is delivering a range of initiatives to showcase Australia's water reform journey and create opportunities for the Australian water sector.

2. BACKGROUND TO AWA POLICY AND ADVOCACY WORK – A VOICE FOR THE SECTOR

Policy principles

The Australian Water Association with support from the Water Management Law and Policy Specialist Network has developed a set of policy principles. These principles are to guide the Association's review of government policies and the development of its own policies (e.g. Position Papers). The Policy Principles have been endorsed by the Board and are available here.

Specialist Networks

Our Specialist Networks allow individuals to connect across specific areas of interest. Active involvement by members means we offer a platform for business and personal connections, building professional knowledge and raising the level of discussion on water issues.

Water Security for all Australians is the Australian Water Association's advocacy platform. When we say 'water security', we are referring to the certainty the Australian community can have that its water needs will be met into the future on an economically, socially and environmentally sustainable basis. Read more here.

Under this umbrella there are four key areas which need to be taken into consideration when determining water security:

- Safe and affordable drinking water;
- Water to support industry and agriculture;
- Water management to create liveable communities; and
- Water to protect the environment.

The Association has produced two **discussion papers** on the topic, the original 2016 paper and a discussion paper that was discussed at Ozwater'17. The findings from these discussions include:

Priority 1: Water security – (ranked in order with highest at top)

1. Commit to ensuring all sources of water are considered & government use 'best fit' policy
2. Develop an infrastructure investment policy framework to attract increased investment
3. Commit to move to cost reflective pricing
4. Promote harmonisation of nationally consistent standards
5. Commit to removing perspective regulation with outcomes based regulation

Priority 2: Increase community engagement on sustainable water management

1. Promote use of alternative water sources
2. Encourage community awareness of the need for efficient water use
3. Commit to adopting cost reflective pricing
4. Federal Government commit to Bureau of Meteorology's Water Information programme

Priority 3: Consistent regional (potable) water quality

1. Support investment to ensure it meets Australian Drinking Water Quality standards
2. Develop infrastructure investment policy framework

Priority 3b: Facilitate rural water trading

1. Ensure all jurisdictions have clear frameworks based on NWI principles
2. Ensure free markets and pricing which allow users to purchase and value water

Priority 4: Maximise Australia's ability to lead the world in water innovation and management

1. Ensure outcomes and intellectual property from R&D is not lost & is available for long term industry benefit
2. Link R&D to industry outcomes to ensure effective use of investment and industry uptake
3. Introduce a water innovation policy
4. Ensure trade agreements translate to benefits for the Australian water sector & export opportunities for all

Priority 5: Whole of Government coordination across water

1. Establish a national sustainable water taskforce, reporting to COAG
2. Reintroduce a National Water Commission
3. That the state water minister/department committee be reformed & charged with the implementation of NWI
4. ACCC should be responsible for overseeing & reporting on outcomes of NWI

3.

THE BENEFITS AND NEED FOR NATIONAL COORDINATED WATER REFORM

Australia's water sector warrants national policy attention. It is a sector that provides essential services to almost all Australians, delivers a vital input to agriculture, businesses across the industrial and services sector, and is playing an increasing role in enhancing the liveability of our urban communities. The efficiency and quality of its services can impact positively or negatively on our national economic health. It is also a significant focus of government capital investment and the efficiency of the use of that capital – this should be under constant review.

The Australian economy and the Australian water sector have seen significant gains from over two decades of national coordinated water reforms. We understand the benefit to the Australian economy from these has been valued at $80billion through productivity gains. In order to drive the political leadership required to enable a future national reform agenda and to bring the sector along, the Association feels these benefits should be quantified across the economy and communicated across the sector.

The future of Australia's water reform journey is now at a critical junction after 20 years of positive gains under Australia's nationally coordinated water reform agenda. The Association considers that further nationally coordinated water reforms are required to address new and emerging challenges and also to prevent backsliding of the reform achievements to date.

The Association is also seeing a significant economic benefit from the export of Australian water innovation and expertise. The Australian water sector has enjoyed a reputation of being a global leader in water, largely due to the 20+ years of nationally coordinated water reforms. We feel a continued nationally coordinated reform agenda will support the growth of export of Australian innovation and expertise and in turn generate a positive return back to the Australian economy.

The Association believes that a reinvigorated and funded national water reform agenda is necessary to overcome new and emerging challenges and allow the sector to continue to be global leaders in water.

4. A FOCUS ON RURAL WATER REFORM

The Australian Water Association agrees with the Productivity Commission that significant progress has been made with reform in the rural water market over many years. In particular, the introduction and ongoing implementation of the Murray-Darling Basin Plan has been a major reform outcome.

It should be noted that in rural areas, conjunctive use of surface and groundwater assisted by managed aquifer recharge offers a significant opportunity to manage these two interconnected systems under a sustainable framework. The Association would like to see managed aquifer recharge adopted as a viable approach for jurisdictions within the context of water sharing plans driving greater connectedness of groundwater and surface in water allocation plans.

The Australian Water Association is fully supportive of the inclusion of Aboriginal cultural objectives as part of determining the overall value of water. Recognising the value of indigenous cultures will deepen our involvement with the natural resource beyond the level of science and engineering. Australia can learn a lot from our New Zealand counterparts in this regard.

The increased understanding and utilisation of water trading has led to new levels of agricultural productivity based on improved yields from land use linked to the development of an open water markets and trading system.

The economic benefits from water trading are currently hampered by a number of factors relating to unclear, untimely and inconsistent water trading procedures.

The Association considers the true value of water should be based on:

- productive yields for which water is applied,
- security attached to the water held, and
- how the value of water held is accounted for on the balance sheets of the water holders.

There is further reform needed to progress a water trading system to meet Australia's future needs. The Association recommends that the Commission includes provision for reform in the specific areas outlined below.

a. Moving towards a National Water Market

Australia needs reform to move towards a national market for water that avoids the variants and inconsistencies of the current local markets that are driven by contrasting value drivers. National markets in any commodity or traded item are used as prime price discovery areas.

A properly regulated national water market offering a more controlled price discovery mechanism will achieve greater transparency of price and market liquidity.

Without such a regulated national water market, investors can misrepresent both the value and volume of water traded leading to unnecessary market distortions. Comparisons with national stock exchanges or other national commodity markets can illustrate the benefits of establishing a properly regulated national water market. It is acknowledged that the practicalities of evolving from our current systems of water trading to a properly regulated national market may require phases of implementation.

A national water trading regulator established in a new National Water Authority that is independent of executive government may be a more achievable first step towards forming a national water trading market.

b. Commonwealth Environmental Water Holder

The intervention of the Commonwealth Environmental Water Holder (CEWH) in the operations of our water trading markets has caused significant issues. It is recommended that the CEWH should be prevented from intervening in water markets. The prevention of unwarranted market interventions by CEWH needs to extend to water movements between accounts (which can open or close trading rules – with market impact) and be extended to other Government and non-Government environmental water holders that manage CEWH allocations.

There is a strongly held view that the CEWH has inappropriately used the water markets to solve the over-allocation of water. Such interventions in water markets create market distortions that are unrelated to water trading and should be prohibited.

c. Price Registers and Settlement Processes

Water price registers are used to record what water has been sold and at what price. This applies to both temporary water entitlements and permanent water entitlements. The actual settlement processes are too long and are causing additional distortions of the market. Under current accounting principles the lowest price of water between the contract price and the settled price needs to be recorded. The problem here is the process between contract and settlement can vary between 3-4 weeks to 9 months. Our water trading processes need to be far more timely and transparent and linked to accurate live data.

d. Recognising Water as a Tangible Asset

Water is not recognised as a tangible asset and this carries significant consequences for how the value of water is recognised on the balance sheets of the water holders. Tangible assets that have a deep market are valued differently from what are deemed intangible assets by our accounting standards.

There are some major inconsistencies in what is deemed tangible when compared to water. Both shares in companies traded on a stock exchange and property assets traded in a market are deemed 'tangible' assets and yet neither is any more tangible than water traded in water markets. It is only tangible assets that can be recognised on balance sheets and therefore those entities that trade water are disadvantaged by the inability of their balance sheets to reflect the true value of their assets.

It has been estimated by the industry that this has resulted in a shortfall of between $5-10 billion of value and/or additional capital that would otherwise have been recorded on balance sheets. Further, those entities that have acquired water assets are unable to leverage loans from financial market on the value of those assets because they are deemed intangible assets. Banks and financial institutions require fixed and/or floating charges over the holders of water to secure loans that would otherwise not be required if water was treated as a tangible asset. Building a new water accounting platform is required if Australia is to maximise the value of water and remove the unfair treatment of water as an asset.

e. The role of a National Water Authority as national water trading regulator

The Association supports the establishment of a National Water Authority that is empowered as a statutory authority independent of executive government that reports directly to the National Parliament. In relation to water trading, such a National Water Authority needs to be empowered with the responsibility for overseeing the implementation of a transparent water trading system that is consistently managed, monitored, and enforced across all states and territories. The implementation of the water trading system would form part of a National Water Plan (that we recommend replaces the previous terminology of a National Water Initiative). This National Water Plan needs to have been fully discussed with the States and be approved by COAG. The Plan could be formally reviewed every five years by COAG.

The recommended National Water Authority would require sufficient resources to:

- maintain the expertise to manage and develop a national water trading system;
- enforce compliance with a national regulatory regime of water trading;
- make recommendations for improvement to the water trading regime to evolve from a national regulator of water trading to the creation and management of a transparent National Water Market. All such recommendations would be subject to COAG approval;
- collect water trading data that is made available to all and undertake required analysis to report to National Parliament and/or COAG; and
- manage interstate catchments to enable efficient water trading.

The State Governments would need financial incentive payments to transfer the appropriate constitutional powers and the necessary local staffing resources and offices to the National Water Authority to implement and enforce a national water trading system under the National Water Plan.

5. A FOCUS ON URBAN WATER REFORM

The Association acknowledges the significant reform undertaken within the urban water sector over the last two decades. That reform has delivered more commercially focussed service providers, clearer and more effective regulation of the sector and improved arrangements for the long term planning of water supply options. Reform has also delivered greater confidence in the quality of water delivered, better pricing signals for consumers and utilities, enhanced water security and improved productivity.

The pressures on the urban water sector, however, continue to evolve and the implementation of reforms has not been complete and in some cases has been confounded by interventions by governments inconsistent with the enduring reform policy principles. The Association believes that there remain priority areas for reform in the urban water sector. Delivering on these reforms will further improve outcomes and help ensure the longer term sustainability of the sector.

5.1 Efficient and effective service delivery

Key points

- Governments are yet to fully achieve the agreed separation of policy, regulation and service delivery functions as outlined in the 1994 COAG Water Reform Framework.
- Major metropolitan utilities' capacity to manage operation and investment decisions is being undermined by a shifting policy environment and political interference.
- A lack of institutional alignment across the urban water cycle is creating a barrier to integrated water management.
- The role of water agencies in delivering Integrated Water Cycle Management outcomes and the role of the urban water sector in contributing to liveable cities must be defined in order to drive innovation.
- There is a need to build stronger partnerships with other sectors, i.e. urban planning, catchment management and energy.

Water utilities operate without clear mandates, often opaque governance arrangements and unclear authority regarding their ability to make planning and investment decisions. Jurisdictions signed the COAG Water Reform Framework in 1994 agreeing to clearly separate policy, regulatory and service delivery functions. Under this model, Governments would articulate clear, measurable and coherent policy objectives and provide water businesses with flexible policy tools and the autonomy and incentive to deliver them. In return, service providers would operate in a transparent manner, be accountable, and clearly demonstrate performance to stakeholders.

Today, major metropolitan utilities operate under a corporatised governance structure which is intended to provide flexibility and accountability for operational and investment decisions. This is underpinned through accountability mechanisms including varying degrees of independent regulation and, in many cases, scrutiny of utility boards under the Corporations Act. Governments, however, continue to intervene in regulatory and operational decisions, often under the guise of their role as equity shareholders, to the extent that the operating mandate of utilities is unclear.

The role of water in urban communities has and continues to evolve as more sophisticated approaches to delivering integrated urban water cycle management and community liveability objectives develop. However, in many areas of Australia, urban water utilities lack clear direction from governments about the appropriate role they should play in contributing these objectives beyond their traditional 'core' water supply and wastewater management roles, and how such new roles should be funded. There is therefore a continued need for governments to more clearly articulate the roles of utilities, to provide appropriate and transparent levels of autonomy and concomitant accountabilities.

New ways of delivering water and supplying stormwater and wastewater services are required, and integrating these solutions to provide multiple benefits is essential. Urban planning and regulatory arrangements are generally not structured to enable a balanced assessment of the costs and benefits of decentralised approaches against more traditional centralised infrastructure solutions. Urban planning processes more generally, which are characterised by a multiplicity of stakeholders and decision makers, do not have well developed mechanisms to ensure decision makers can see, let alone have regard to, the full costs and benefits of options before them.

Governments should review the structures in place to manage the interaction between water planning decisions and urban planning processes with a view to ensuring that wherever possible across those interfaces the full costs and benefits of major decisions are considered by decision makers.

The Association recommends that all State and territory governments clarify their expectations of utilities and recommit to separate policy, regulatory and service delivery functions. Governments should actively engage with the community in the development of these statements of expectation.

This should include:

- The articulation of a clear statement of objectives for the urban water sector to acknowledge not just traditional water security, public health and environmental management roles, but also flood, waterway health, catchment health and liveability.
- The specification of clear delineations between the roles of government (as shareholder and public policy maker), regulators and utilities.
- The creation of a charter of objectives, roles, responsibilities and accountabilities for water utilities that is non-discriminatory between public and private ownership, or between incumbent providers and new entrants

5.2 Aligning institutions and regulatory frameworks

Key points

- Governments intervening in regulatory decisions undermine the capacity to drive efficiency and innovation.
- A lack of coordination across economic, environmental and health regulatory decisions is creating inefficiencies
- Arrangements must provide community confidence that service standards are met and that public health and the environment are protected regardless of whether the service provider is public or private.
- Economic regulators should incorporate into decision-making processes mechanisms that encourage utilities to have strong customer engagement strategies, potentially including lighter touch regulatory oversight where proposed strategies have clear customer support.
- There are opportunities for national coordination of regulation to avoid duplicative processes.
- Greater national collaboration and coordination in areas such as regulatory alignment, R&D coordination, guidelines, industry certification and training and system validation has also been found to have significant potential to increase efficiencies across not only the urban water sector but other sectors contributing to liveable and sustainable cities.

While governments will always have a role in defining urban water policy they are not uniformly allowing economic regulators the degree of independence they require to ensure pricing and revenue determinations drive efficient service delivery and are focused on customer and community values.

Political interference in independent economic regulatory determinations, whether motivated by shareholder-return considerations or short-term political dynamics, is deferring cost-reflective pricing and efficient price signalling. This behaviour is a clear barrier to the achievement of efficiency and innovation outcomes sought through corporatisation.

There also remains a need for greater consistency across economic, health and environmental regulation. A number of submissions the Association received from its members highlighted the need for regulation to bring together the total water cycle with regulators understanding the consequences, and cost to community, of decisions. Regulatory impact, whether it is price, public health or the environment, needs to be understood prior to implementation.

The Association believes there is room for improved sharing of information – and potentially joint consideration of key regulatory decisions – across the economic, health and environmental regulatory domains.

The lack of a consistent regulatory framework can unnecessarily increase costs, both in the management of regulation itself but also holding back productivity and innovation in the sector. In particular, multiple approvals based on different regulatory standards across the country represent a potentially significant barrier to entry for new, innovative solutions. Shared regulatory approaches or mutual recognition mechanisms should be adopted across jurisdictions wherever possible.

The NWI should be further expanded to develop better consistent principles for economic regulators to prepare costs of water supplies. The area of costing the value of catchment water needs further consideration.

5.3 Access to capital and private sector investment

Key points

- New approaches to financing urban water infrastructure are required.
- Policy and regulatory structures reflect single monopoly provider model and must adapt to allow for private ownership, private investment and competition.
- A focus is required on providing consistency and certainty within economic regulatory regimes, creating a 'level playing field' and ensuring transparency and accountability in decision making processes.

- Governments and communities need to further discuss ways in which increased private sector investment in the water sector can enable existing public capital investments to be released for reuse in the water or other important infrastructure sectors.

Servicing expanding populations, especially growth areas on the fringe of cities and in developing regional centres, will require continued major capital expenditure. As government spending is constrained the urban water sector is looking for private investors to provide the capital required or private service providers to enter the market. Attracting private capital to reduce the burden on government, however, requires new thinking and approaches.

The urban water sector remains dominated by centralised planning arrangements and government owned monopoly water businesses. Regulatory arrangements to encourage competition in the urban water sector have, to date, had limited results.

Private sector involvement is currently restricted to specific contractual arrangements for activities including maintenance, operation, design and construction work, usually outsourced by government owned utilities. The determination of the scope and form of private involvement therefore remains primarily determined by public entities. Procurement processes are often prescriptive favouring centralised planning arrangements and large infrastructure developments. As a result, the opportunities for innovation and encouraging competitive forces across the urban water sector can be unnecessarily constrained.

Regulatory structures and processes also reflect the current reality that a single, monopoly provider is managing the delivery of economic, health and environmental outcomes. Policy and regulatory mechanisms to address the risks of a more competitive marketplace (such as 'supplier of last resort' obligations) are often non-existent or not well developed.

These regulatory and policy structures are not well designed either to enable new, competitive entry, nor to a potential private capital investment in existing utilities. The relative lack of clarity about the respective roles of utilities and governments in key planning, regulatory and investment decisions represents a further challenge to encouraging private capital, at the very least increasing the risk profile for potential entrants.

Importantly, the principles of good governance – clarity of objectives, roles and accountabilities – that are pre-conditions for effective management of private ownership of urban water assets, are just as important for providing confidence to the community that the sector is delivering the best possible outcomes in a public ownership model.

A regulatory framework that generates confidence is critical to encouraging the private sector to play an increased role. The Association considers that the following pre-conditions should be put in place for private capital, whether through new competitive entry or in ownership of incumbent utilities, and that these include:

- A review of current regulatory systems to ensure they facilitate economically efficient new entry for private capital and competition as required.
- Mechanisms to address public policy objectives, such as consumer protection, measures to support disadvantaged customers, cross-subsidies for economically unviable service areas and maintaining supply of last resort, are designed in ways that do not discriminate between providers (including potential new entrants) and, as far as is possible, encourage economically efficient investment.
- Appropriate third party access and dispute resolution mechanisms.

5.4 A customer focused sector, an engaged community

Key points

- The urban water sector is in the process of a shift away from a compliance approach to performance to a more active engagement with customers in determining service offering.
- There is still significant scope to improve the degree to which customers are able to influence customer service offerings, pricing outcomes, setting of strategic objectives and ensuring customer protection arrangements are in place.

It is crucial that governments, regulators and service providers give a greater voice to customers through exploring opportunities for customer choice in pricing and service delivery, improved engagement in objective setting and the determination of trade-offs and improved customer protection frameworks. Improved engagement has the potential to open significant opportunities for innovation and economic efficiency.

Customers in the urban water context extend well beyond household units to include commercial and industrial businesses, developers and larger institutions such as local or state government agencies to whom they can deliver not just traditional water and wastewater services but also amenity and environmental outcomes.

In the absence of significant opportunities for individual customers to express their preferences through individual customer choice, many decisions regarding water services are made by governments as policy makers, regulators in their roles in setting price, health or environmental targets, and utilities themselves.

While evidence suggests that the urban sector is in the early stages of the implementation of customer choice options there is at least a stated commitment from governments through the utilities' statements of obligation which are being reflected to some degree through utility planning and investment frameworks.

There is still significant scope to improve the degree to which customers are able to influence customer service offerings, pricing outcomes, setting of strategic objectives and ensuring customer protection arrangements are in place.

- There must be a clear obligation on utilities to have well developed structures for engagement with communities on their priorities, service expectations and views on major investment choices.
- Wherever possible, utilities should be given the freedom by governments and regulators to develop business strategies, products and services that respond to those views.

5.5 Regional and remote water utilities

It is important that regional and remote communities have access to safe, secure, reliable and healthy water but this is often not the case. The size and location of some water service providers can also make it difficult to attract the necessary technical, managerial, financial and governance skills to ensure efficient and effective service delivery is achieved. While national reporting arrangements for economic, health and environmental indicators apply for larger utilities, there are inconsistent approaches for providing information on smaller providers, or the relative quality of services provided in smaller areas by larger entities. This limits the capacity of policy makers and the community as a whole to assess the challenges faced in regional areas as well as the quality of service delivered across the country.

Considering economies of scope and scale along with a constrained fiscal environment, greater collaboration has been found as one avenue for smaller communities to achieve effective and efficient service delivery. A number of alliance models appear to have generated some efficiencies across regional utilities and the Commission could encourage the further development of these models. The performance of such strategies, particularly against alternative institutional reforms, should be assessed carefully and on an ongoing basis. They should not substitute for more effective but potentially more substantive institutional reforms.

In some cases, it may not be realistic to recover the full cost of water and sewerage services in smaller and more remote areas. It has long been acknowledged that State and Territory Governments should subsidise the provision of water supply and wastewater services in regional areas where it is uneconomic for the utility to provide these services safely and efficiently. Such subsidies operate both in jurisdictions with single utilities and in those with regional providers. Communities affected – and the community as a whole – should have transparent information about the extent of those subsidies and they should be subject to regular review.

In considering reforms to regional and remote water providers, the Association sees these characteristics as important:

- Supply standards in regional and remote communities should be consistent with national health standards.
- Cross-subsidies, where necessary, should be transparent, explicit and regularly reviewed.
- Regional alliance models are likely to continue to play a role in assisting smaller entities to address skills and procurement challenges, but should not be a substitute for institutional reform where such reforms could deliver more economically efficient outcomes.
- Transparent and independent monitoring of the economic, quality, and health performance of all water businesses (including under 10,000 connections).

6.

A MODEL FOR NATIONALLY COORDINATED WATER REFORM

National coordination can significantly reduce administrative and compliance costs, thus facilitating innovation and efficiencies. The sharing of leading practice is also an often less recognised benefit of national mechanisms for policy and regulation. The benefits of national approaches are already established in a number of areas, including the Australian Drinking Water Guidelines and Australian Guidelines for Water Recycling.

In the Association's view, there are clear benefits to be delivered from greater levels of national leadership, collaboration and facilitation. Such gains would benefit from the leadership of a National Water Authority that is empowered as a statutory authority independent of executive government that reports directly to the National Parliament.

The proposed National Water Authority needs to be empowered with the responsibility for overseeing the implementation of a transparent National Water Plan that is consistently managed, monitored, and enforced across all states and territories. This proposed National Water Plan (replacing the previous terminology of a National Water Initiative) would need to be negotiated between the States and the Commonwealth and approved by COAG.

It is recommended that such a National Water Authority be established to implement and manage a National Water Plan approved by COAG to provide water security and sustainable water management. The National Water Authority would, in essence, be responsible for managing national frameworks for:

1. Water trading;
2. Water resource planning;
3. Urban water (including economic regulation; competitive neutrality; and integrated water cycle management)

In addition, the National Water Authority should be allocated powers to ensure adequate and verifiable data collection and analysis under the three frameworks. The National Water Authority should also be provided with statutory compliance and enforcement powers to ensure nationally consistent interpretation of the three national frameworks.

Further, the National Water Authority would administer incentive payments to the States and Territories upon meeting agreed milestones to implement the national reform measures under the National Water Plan. Part of these incentive payments would be in return for the States and Territories agreeing to transfer staff and resources in their respective jurisdictions to the National Water Authority to administer the planning, monitoring, and compliance and enforcement of the National Water Plan within their jurisdictions.

The Association recommends that the above national water plan and structure to implement it be funded by the economic value added to the Australian economy via these reforms. The National Competition Policy of 1994 generated an estimated $80 billion value to the Australian economy via increased productivity.

An independent review needs to be undertaken of the potential economic value to the Australian economy by implementing the reforms required under the three national frameworks. The Association is confident that the quantification of these economic benefits would justify the new national approach and encourage both State and Commonwealth political support. The incentive payments to the States and Territories through the NCP reforms of 1994 proved a successful model to implement change. A similar approach is recommended to implement a new National Water Plan and a new National Water Authority to implement it.

In addition to the management of the three national frameworks the Association recommends that the National Water Authority could play a significant role in coordinating national discussions on approaches to nationally consistent frameworks and filling knowledge gaps across the three frameworks as presented in the diagram on the next page.

NATIONAL APPROACH	DESCRIPTION	OUTPUT EXAMPLE
National leadership and direction	National Water Plan including the rationale and objectives for further water reform (endorsed by COAG).	Overarching blueprint for water reform, i.e. • Clear institutional and governance arrangements • Efficient regulation • Clear market structures • Regional and remote water services • Efficient water trading arrangements
National collaboration and consistency	Inter-jurisdictional collaboration in the development of nationally consistent frameworks and guidelines.	National Guidelines and Frameworks, i.e. • Efficient economic regulation • Aligning health / environmental regulation • Clarifying market structures • Integrated planning frameworks • Utilities performance reporting
National facilitation and knowledge adoption	National facilitation and knowledge sharing across the sector on barriers to reform implementation.	National forums and R&D platforms, consolidating i.e. • Skills and training • System validation • Asset management • Customer / community engagement • Operator certification • Efficient regulation • Financial valuation

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