

**THE 2003 NATIONAL COMPETITION
POLICY ASSESSMENT FRAMEWORK
FOR WATER REFORM**

**National Competition Council
February 2003**

Abbreviations

ACT	Australian Capital Territory
ARMCANZ	Agriculture and Resource Management Council of Australia and New Zealand
ANZECC	Australian and New Zealand Environment and Conservation Council
CoAG	Council of Australian Governments
CPA	Competition Principles Agreement
CSO	Community Service Obligation
DLWC	Department of Land and Water Conservation
IPART	Independent Pricing and Regulatory Tribunal
MDBC	Murray–Darling Basin Commission
NCC	National Competition Council
NCP	National Competition Policy
NMU	Non-metropolitan urban
NRM	Natural Resource Management
NSW	New South Wales
NWQMS	National Water Quality Management Strategy
ROP	Resource operations plan
SA	South Australia
SWMOP	State Water Management Outcomes Plan

Setting the scene

The National Competition Policy (NCP) water reform obligations arise from the acknowledgment by the Council of Australian Governments (CoAG) that the management and regulation of Australia's water needed significant change. In 1994, CoAG developed a strategic framework for water reform encompassing economic, environmental and social objectives. Subsequently, CoAG brought the water reform program within the ambit of the NCP in April 1995.

The 1994 strategic framework and subsequent related CoAG agreements¹ are aimed at improving the efficiency and effectiveness of urban and rural water supply and wastewater industries and instituting water management planning that takes into account the effects of all water use (by agriculture, industry, households and the environment). CoAG set target dates for the major reform components (1998 for urban water pricing, the institutional reforms, water trading and allocations for the environment, and 2001 for rural water pricing), but later extended some of these deadlines. In particular, it extended the timetable for environmental water allocations for stressed rivers to 2001, and for all river systems and groundwater to 2005.

The National Competition Council conducts annual assessments of governments' compliance with all NCP and related reform obligations set by CoAG. To assist each assessment, the Council prepares a framework in advance of the assessment outlining the issues it will consider in the assessment. This assessment framework for water reform aims to:

- provide a clear, transparent basis for assessing the actions taken by governments to implement the objectives set by CoAG;
- identify the type of information that governments need to provide to demonstrate compliance;
- outline the scope of the assessment and the issues for assessment in future years to guide public submissions; and
- provide a basis for the early identification of areas where achieving reform outcomes is proving difficult for discussion between the Council and the relevant government.

Prioritising the water reforms

In December 2001, CoAG Senior Officials agreed to prioritise national water reform commitments across the 2002 to 2005 NCP assessments. As a

¹ The CoAG strategic framework is reproduced in NCC 1998.

consequence, the 2003 assessment is focusing on urban water pricing and cost recovery, institutional reform, intrastate trading arrangements, integrated catchment management and water quality reforms. The 2004 water assessment will focus on rural water pricing and cost recovery, interstate trading arrangements and progress with implementing environmental allocations. The 2005 assessment will be a full assessment across the entire package of reforms (akin to the 2001 assessment).

There are two elements of the water reform program that may be assessed in any year to 2005.

- For new rural schemes, all governments undertook to ensure that investment in new rural infrastructure occurs only where the new infrastructure is shown to be economically viable and ecologically sustainable. Where governments are contemplating significant future irrigation activity or dam construction, they must conduct appropriate assessments to satisfy themselves that the environmental requirements of river systems will be met before water is harvested. The Council examines investments in water infrastructure in the year that a government decides to proceed with the investment to ensure the twin tests have been met. Hence, performance against this obligation is assessed in any year as relevant.
- Following agreement by CoAG senior officials, public consultation and education commitments are assessed at the time the relevant reform is due for assessment. For example, the 2004 assessment will consider consultation and education requirements in the areas of rural cost recovery and pricing, interstate trading arrangements and environmental allocations.

Input to the 2003 assessment

Governments' annual reports on NCP progress

As for previous NCP assessments, governments will need to provide relevant information on their progress with implementing the CoAG water reforms via annual NCP reports. Annual reports should at least address the matters discussed in this framework and be provided by 31 March 2003. The Council will hold bilateral discussions with governments on relevant matters, including matters raised in submissions by other parties.

Submissions by other parties

There is an opportunity as part of the 2003 assessment for interested parties to comment on governments' progress with reform implementation.

Accordingly, the Council invites submissions on the matters discussed in the 2003 NCP water assessment. Submissions should focus on aspects that will be assessed in 2003.

It would be appreciated if parties could supply their submission both electronically and in writing. Written submissions should be sent to:

Executive Director
National Competition Council
GPO Box 250B
Melbourne VIC 3001
(and e-mailed to samuel.drummond@ncc.gov.au)

Submissions should be provided to the Council by COB Friday 4 April 2003. Because the Council must complete the assessment by 30 June 2003, it may be difficult for it to give full consideration to submissions received after this date.

Unless confidentiality is requested, the Council will treat all submissions as public documents. It will place submissions received on its website. The Council endeavours to release all submissions as public documents. If, however, confidentiality is requested submission makers should ensure that as much of the submission is publicly available as possible. The sections that are confidential should be clearly marked so that the remainder of the document can be made available. If sections of a submission are confidential, two copies should be provided – one with the confidential sections omitted and the other with the confidential sections included and marked as confidential.

If the Council considers that a submission does not warrant confidential treatment, it will advise the party providing the submission. The party will then have the choice of either withdrawing the claim for confidentiality or withdrawing the submission.

Further information

For further information on the issues in the 2003 NCP assessment framework, please refer to previous NCP water assessments, the 2001 NCP water assessment framework and the CoAG water reform agreements contained in the compendium of NCP agreements published by the Council. Previous water assessment frameworks, water assessments and the compendium of agreements are all available on the Council's website at www.ncc.gov.au.

Should you have any queries, please contact Sam Drummond on 03 9285 7781 or Paul Emery on 02 6258 1756.

The 2003 assessment framework

2002 supplementary assessments

The Council is conducting a number of supplementary assessments and further consultation meetings with governments during 2002-03 on aspects of the CoAG water reforms that governments had not fully addressed at the time of the 2002 assessment. These are as follows.

Tasmania

In November 2002 the Council conducted a supplementary assessment on the progress of the State's water authorities in applying full cost recovery principles to urban water pricing and in applying appropriate asset valuation principles. The supplementary assessment report is available on the Council's website at www.ncc.gov.au.

The supplementary assessment found that Tasmania had met the CoAG obligation on asset valuation methodologies applied by urban water and wastewater providers. Although most providers do not strictly adhere to the deprival value methodology, the Council agreed that the application of AASB 1041 (using fair value for specialised assets) achieves a similar outcome. The end result is the application of the depreciated replacement cost or depreciated optimised replacement cost methodology.

The seven local governments previously found not to be complying with full cost recovery commitments have each committed to a strategy and timeframe for achieving full cost recovery. In each case, full cost recovery principles will be in place by the 2005 NCP assessment. Tasmania reported that the smaller local governments, with relatively limited access to resources, tended to have less comprehensive and more varied approaches. Tasmania undertook to provide additional educational support to local governments to assist them meet the CoAG water reform obligations. Specifically, Tasmania committed to:

- developing a water reform education support program for local governments setting out the scope, objectives, methods and timing;
- revision and issue of guidelines and policy statements, provision of educational material, targeted consultation and correspondence;
- conducting regional seminars and workshops for practitioners; and
- establishing a website that draws together government water-related information.

While the Council was satisfied that the proposals outlined by Tasmania in the supplementary assessment met obligations for 2002, the Council noted that it would be important for the Tasmanian Government to implement the commitments it had made. The Council advised in the supplementary assessment that the 2003 assessment would look at Tasmania's implementation of the commitments on full cost recovery, asset valuation and education to support the reform process.

New South Wales

The Council will conduct a supplementary assessment to consider the Government's final water sharing plans that will set water property rights entitlements and environmental allocations for the next 10 years.

Victoria

The Council is conducting quarterly consultative meetings to ensure that commitments with regard to stressed rivers are delivered by the 2003 NCP assessment.

Queensland

The Council will conduct a supplementary assessment to consider progress with the development of the water resource plan for the Condamine–Balonne Basin, Queensland's only stressed river system. Queensland has commissioned a six-month independent review of the science of the Condamine–Balonne region, focusing on environmental allocations and salinity concerns, and has committed to implementing the review's recommendations.

Western Australia

The Council conducted a consultative meeting on the State's progress with implementing agreed milestones relating to the intergovernmental National Water Quality Management Strategy (NWQMS) in December 2002. Western Australia is currently finalising a State Water Quality Management Strategy to implement the NWQMS. Further, Western Australia expects to have adopted the Australian drinking water quality guidelines across the State by the end of 2005. (At December 2002, the Perth metropolitan water supply has been verified as meeting the guidelines.) Western Australia is also undertaking a program of public consultation on State plans for implementing NWQMS guidelines 4 and 7 relating to fresh and marine water and water quality monitoring and reporting respectively. There will be a second consultative meeting in March 2003 to confirm that Western Australia

has finalised the State Water Quality Management Strategy and related implementation plans. These matters are reported more fully in the Council's eNews No 3 of January 2003.

2002-03 competition payments

The supplementary assessments and Western Australia's consultative process may have implications for the Council's final recommendations on 2002-03 competition payments for New South Wales, Queensland and Western Australia if they show progress against CoAG water reform obligations is inadequate. The supplementary assessments may also identify matters that will need to be addressed in the 2003 assessment. The consultative process involving Victoria will not affect the Council's recommendations on Victoria's competition payments in 2002-03.

Recent national developments

There are several developments at the national level that may lead to outcomes that are relevant to the 2003 and/or future NCP assessments of water reform. While the developments reported below are not issues for assessment under the NCP now or in the future, they may lead to decisions by governments on means of implementing (or amplifying or refining) the 1994 strategic framework. If this were to occur, the Council would take account of relevant decisions by governments arising from these developments in assessing compliance with the CoAG water reform obligations.

CoAG considered water property rights at its meeting on 6 December 2002. CoAG:

- noted progress on water reform in all jurisdictions and reaffirmed commitment to those reforms as set out in the 1995 NCP agreements;
- noted national principles on water allocation and entitlements developed by the Natural Resource Management (NRM) Ministerial Council's Chief Executive Officers' Group on Water and agreed to release the paper from the group considered at the meeting for a consultation process with key stakeholders and for finalisation by April 2003. The Chief Executive Officers' Group paper recommended that CoAG:
 - **agrees** there is merit in agreeing nationally on a set of principles for water entitlement and allocation, and a set of guidelines for provision of adjustment assistance where changes are made to water entitlements;
 - **requests** the NRM Ministerial Council to oversee a process of consultation amongst jurisdictions and with the wide range of relevant

stakeholders, with a view to presenting recommended principles and guidelines at CoAG's first meeting in 2003;

- **endorses** principles on water entitlements and allocation, and guidelines on providing adjustment assistance for changes in water entitlements drafted by the group;
- **notes** the desirability of the following tasks being carried out to enhance water markets, and requests the NRM Ministerial Council to undertake the tasks, taking into account work already being overseen by the Murray–Darling Basin Ministerial Council, and to report back on its progress:
 - (a) develop a best practice template on how to specify water entitlements, an agreed framework for harmonising differences in water entitlements, agreed principles for defining trading rules, and better alternatives to barriers to trade out of irrigation districts by June 2003;
 - (b) review the range of transactions that can be made with respect to water entitlements, beyond the current temporary and permanent transfers by June 2003;
 - (c) review existing and proposed registration systems, with a view to ensuring that they optimise confidence in water entitlements and transactions and facilitate an efficient and transparent market by June 2003;
 - (d) develop best practice templates for approval mechanisms and audit procedures by September 2003;
 - (e) develop industry standards and regulatory specifications for water brokers and water exchanges, and proposals for improving price and other market information problem definition paper by December 2002.
- noted the Commonwealth had prepared a paper outlining its principles for achieving sustainable water management.

The Murray–Darling Basin Commission Ministerial Council is conducting a project for the River Murray aimed at establishing water environmental flows and improving water quality by October 2003.

The NRM Ministerial Council is working on water reform issues under the National Action Plan on Salinity and Water Quality.

- CoAG endorsed the National Action Plan on Salinity and Water Quality in November 2000. The national action plan builds on the achievements of the Natural Heritage Trust, individual State and Territory initiatives, the CoAG water reforms, and the work of the Murray-Darling Basin Commission. The plan involves new expenditure by Commonwealth, State

and Territory governments of \$1.4 billion over seven years. The Commonwealth will contribute \$700 million for implementation of regional action plans to be matched by new State and Territory financial contributions.

- CoAG agreed that compensation to assist adjustment where property rights are lost will need to be addressed in developing catchment plans. While any such compensation is the responsibility of the States and Territories, the Commonwealth committed to consider making additional contributions, separate from the \$700 million announced to implement the national action plan.
- There is some overlap between the requirements for integrated catchment management under the National Action Plan on Salinity and Water Quality and the CoAG water reforms. Under the national action plan, regional strategies to achieve integrated catchment management objectives including salinity management are being negotiated for 21 priority regions across Australia. The Council will take account of any progress under the national action plan in assessing compliance with integrated catchment management reforms.

Issues for assessment in 2003

Consistent with the prioritisation of water reform objectives, the 2003 water assessment will comprise:

- **assessment issues** identified for assessment in 2003 as well as outstanding jurisdictional issues from earlier assessments. These will be the subject of recommendations on 2003-04 NCP payments; and
- **progress report items** that are not subject to assessment and NCP payment recommendations in 2003. The Council calls for progress reports from governments on developments in key areas as a bridge to full assessment in 2004.

Table 1 summarises the issues for assessment in 2003, and those for which the Council is seeking progress reports.

Table 1: 2003 NCP assessment and progress report issues

<i>Assessment issue</i>	<i>Progress report only</i>
<ul style="list-style-type: none"> • Urban pricing reforms including: <ul style="list-style-type: none"> – full cost recovery, consumption based pricing, reporting of community service obligations and cross-subsidies. • Government investments in new rural schemes where relevant. • Institutional reform arrangements including institutional separation, performance monitoring and benchmarking, commercial focus and irrigation scheme management. • Outstanding water allocation and property rights commitments for New South Wales against the timetable of property rights reforms published in the 2001 NCP water assessment. • Outstanding environmental reforms on stressed rivers for New South Wales, Victoria and Queensland. • Intrastate trading arrangements. • Water quality reforms required by the National Water Quality Management Strategy, and integrated catchment management. • Completion of NCP legislation review and reform commitments for all water legislation. • Public consultation and education on the above issues. 	<ul style="list-style-type: none"> • Rural full cost recovery. <ul style="list-style-type: none"> – For Victoria, full cost recovery progress for a number of irrigation schemes supplied by Goulburn-Murray. – An approach to rural renewals annuities and asset valuations in Victoria. – The Murray–Darling Basin States are to provide information on passing on River Murray Water costs to water users. States that do not pass on costs should advise how the level of subsidy and/or community service obligation is disclosed. • Progress in converting existing allocations to new property rights systems and the establishment of registry systems. • The development of environmental allocations by providing a list of all draft and final water management plans, including the stage of development for plans in progress. • Interstate trading arrangements by the MDBC including developments to establish: <ul style="list-style-type: none"> – a system of exchange rates to allow for trading between regions and between different water rights in different States; – adequate environmental controls to ensure trading does not result in environmental degradation; – efficient administrative arrangements for processing and approving trades; and – a system to provide access to State-based registry systems which enable those interested in interstate trading to obtain the information needed to conduct such trades.

In relation to the 2003 assessment matters, the Council notes that:

- it had thoroughly considered the assessment matters in the 2001 NCP assessment, and the two years since the 2001 assessment have given governments time to further develop reforms such as intrastate trading arrangements, and urban pricing arrangements (for example, tax-

equivalent regimes, reporting cross-subsidies and community service obligations, and including externalities in pricing);

- institutional reform and mechanisms to meet water quality requirements should be substantially completed according to the timetable agreed by CoAG Senior Officials; and
- governments have an obligation under the Competition Principles Agreement to have completed the review and reform of legislation that restricts competition, including water industry legislation, by 30 June 2002.

In the nine years since CoAG adopted the strategic framework, there have been significant developments in the overall policy context and in the mechanisms for planning and implementation. In assessing compliance, the Council will be cognisant of such developments. The Council's objective is to ensure that its assessments of governments' compliance with the strategic framework do not inhibit advances in policy and implementation mechanisms that augment or enhance the overall intent of the framework.

Full cost recovery: urban

Governments agreed to set prices so water and wastewater businesses earn sufficient revenue to ensure their ongoing commercial viability but to avoid monopoly returns. To this end governments agreed that prices should be set by a jurisdictional regulator (or its equivalent) to recover:

- at least, the operational, maintenance and administrative costs, externalities, taxes or tax equivalents (not including income tax), the interest cost on debt, dividends (if any) and provision for future asset refurbishment/replacement. Dividends should be set at a level that reflects commercial realities and simulates a competitive market outcome; and
- at most the operational, maintenance and administrative costs, externalities, taxes or tax equivalent regimes, provision for the cost of asset consumption and cost of capital, the latter being calculated using a weighted average cost of capital.

Asset values should be based on deprival methodology unless an alternative approach can be justified, and an annuity approach should be used to determine medium to long term cash requirements for asset replacement/refurbishment. Governments may still provide assistance to special needs groups through community service obligations but this should be done in a transparent way. (clauses 3a, 3b and 3c)

States and Territories have made significant progress in implementing full cost recovery commitments. Full cost recovery by urban water and wastewater service providers is largely in place. Most governments have, however, outstanding cost recovery issues in non-metropolitan urban water supply and wastewater services.

Governments need to demonstrate that metropolitan and non-metropolitan urban water and wastewater service providers are recovering costs consistent with the water pricing guidelines (see appendix 1). Where this is not occurring, governments should provide information on the degree to which

the pricing guidelines are being met. States and Territories are asked to provide information on water and wastewater separately on the following matters.

- Are metropolitan and non-metropolitan water and wastewater businesses applying appropriate asset valuation methods to price water and wastewater services at full cost?
 - Proper pricing requires water businesses to set prices on the basis of full cost recovery. Accurate information on the replacement cost (real cost) of providing water infrastructure, rather than measures such as historic cost (original purchase price), enables service providers to make appropriate pricing decisions.
 - The pricing guidelines state that asset values should be based on the deprival methodology unless an alternative approach can be justified. Factoring the cost of infrastructure into the price of water and wastewater services provides consumers with price signals that reflect the true cost of water consumption.
- What are the dividend payment policies and actual dividend distributions made by water and wastewater service providers?
 - The pricing guidelines require dividends, where provided, to reflect commercial realities and simulate a competitive market outcome. In the 2002 NCP assessment, the Council found cases where dividend distributions appeared not to be based on commercial principles.
 - The Council considers that a reasonable upper bound limit for dividend distribution by government water service businesses is the Corporations Law requirement that dividends may be paid only out of profits (profits include accumulated retained profits as well as the current year's profit). This approach would safeguard against water and wastewater service providers having insufficient financial resources to conduct their business. This approach would also be consistent with competitive neutrality objectives.
- What environmental requirements are imposed on metropolitan and nonmetropolitan water businesses and which of these are passed on to water users in prices? What is the rationale for these pricing arrangements? How is transparency in the treatment of environmental costs achieved?
 - The water pricing guidelines require that, for viability, a water business should recover the cost of any externalities (environmental and natural resource management costs from water use) that are attributable to and incurred by it. The guidelines also require transparency in the treatment of externalities in determining prices. (Pricing guidelines 4, 5 and 7 discuss externalities.)

- The High Level Steering Group on Water (2000) suggested that externalities be addressed using a portfolio of decision tools, including property rights, charging, grants and rebates, and standards. It noted that pricing will not always be sufficiently robust, when employed exclusively, to carry all the information necessary to manage externality costs effectively. The High Level Steering Group on Water suggested that governments ensure there is sufficient flexibility and implementation autonomy to ensure that the portfolio of decision tools complements jurisdictional pressures and system structures.
- Because of the uncertainty of environmental impacts and the range of tools that might be used to address environmental questions, the Council does not see the water pricing guidelines as requiring a particular level of externality charge to be applied to meet full cost recovery requirements. Rather, the obligation is that prices faced by water users transparently reflect externalities that are attributable to and incurred by water service providers.
- The following two papers may provide some guidance.
 - High Level Steering Group on Water 1999, Guidelines for Managing Externalities: Restoring the Balance (exposure draft).
 - CSIRO 2000, Valuing Externalities: A Methodology for Urban Water Use.
- The pricing guidelines also require taxes or tax equivalent regimes to be included in pricing.
 - The Council will consider outstanding issues in the application of tax equivalent regimes for metropolitan and non-metropolitan service providers.
 - All governments are asked to report on compliance with the national tax equivalent regime developed in 2001, as well as all State/Territory taxes and local government rates equivalents that are included in water pricing.

Specific assessment issues by jurisdiction

The following issues were identified in previous NCP assessments as outstanding commitments. Governments should show they have addressed these matters via their 2003 annual reports on NCP implementation.

New South Wales

- It is not clear whether local government providers use an appropriate asset valuation methodology (such as depreciated optimised replacement cost). Information should be provided on the methods local government

water and wastewater service providers are using for valuing assets and on the methods for valuing asset renewals.

- The 2000-01 NSW Water Supply and Sewerage Performance Comparisons indicated that some local government service providers with greater than 1000 connections did not achieve full cost recovery. New South Wales should provide information on the cost recovery performances of all providers operating outside the cost recovery parameters set by the CoAG pricing guidelines (for water and wastewater services separately).
- New South Wales has previously advised the Council that its urban water businesses are factoring appropriate externality costs into water prices. However, processes in New South Wales are not sufficiently transparent to confirm that this is the case. New South Wales could satisfy the Council's questions about transparency by:
 - ensuring transparency of environmental and natural resource management requirements and relevant costs in the development of the price paths for Sydney Water Corporation and Hunter Water Corporation by the IPART; and
 - ensuring transparency in the environmental and natural resource management requirements and costs relevant to pricing by all other urban water suppliers.
- Very few New South Wales local government providers pay tax equivalents. New South Wales should provide information on how it intends to meet the CoAG requirement that taxes or tax equivalents be included in water and wastewater prices. This issue is relevant to metropolitan and non-metropolitan urban providers.

Victoria

- Not all non-metropolitan urban providers (referred to in Victoria as regional urban water authorities) are operating on a commercially viable basis as defined by the CoAG pricing guidelines. Victoria has set a price path for regional urban water authorities to achieve commercial viability by June 2004. The Council seeks information on the progress by regional urban water authorities in achieving cost recovery.
- Victoria is yet to finalise its asset valuation practice statement. The Council expects the final version to comply with the CoAG pricing guidelines, and be appropriately applied. The Council also seeks advice on whether Victoria has considered extending the annual audit of metropolitan asset management plans to include regional urban water authorities.
- Victoria is still to develop a dividend framework for regional urban water authorities for 2002-03. The Council is looking for this framework to apply arrangements equivalent to the Corporations Law requirements for the

distribution of profits. As discussed above, the Council considers that a reasonable upper bound for the dividend distribution policy of a government water service provider is the equivalent Corporations Law requirements for dividend distributions.

Queensland

- Not all local government water and wastewater service providers are operating on a commercially viable basis as defined by the CoAG pricing guidelines. Queensland should provide information on the outcomes of full cost recovery reform commitments made by local government providers through the Queensland Government's Business Management Assistance Program. Of the 125 local governments in Queensland, all but six have committed to implement full cost recovery reforms by June 2003.
- Available financial statements for NQ Water relate to the operation of the water supply board prior to commercialisation, competitive neutrality adjustments and the application of full cost pricing principles. Queensland should provide post commercialisation information on NQ Water indicating whether it has achieved full cost recovery.

Western Australia

- The City of Kalgoorlie-Boulder does not include tax equivalents in the recovery of water and wastewater provision costs. Western Australia should provide information on the action it proposes in relation to Kalgoorlie-Boulder to meet the commitment that taxes or tax equivalent regimes are required as part of full cost recovery for all water businesses.

South Australia

- SA Water has paid dividends in the past sometimes in excess of 100 per cent of after-tax profits. The Council is looking for equivalent Corporations Law requirements for dividend distributions.
- South Australia, while it may have factored externalities into the costs of water and wastewater services, has no mechanism for transparently reporting these externalities in setting prices. South Australia should provide information on how it transparently accounts for and reports on externalities in setting prices.

Tasmania

- As discussed above in the section on the supplementary 2002 assessments, Tasmania committed to its urban water service providers using appropriate asset valuation methodology and achieving full cost recovery. Tasmania also undertook to conduct education programs to support water

reform. Tasmania should provide information to show how it has met these commitments.

Consumption based pricing: urban

Governments have endorsed the principle that prices should reflect the volume of water supplied to encourage more economical water use and to defer the need for costly investments in water infrastructure.

For urban water providers, two-part tariffs (comprising a fixed access component and a volumetric cost component) are to be implemented where cost effective. For urban bulk water suppliers, charges should be volumetrically based (or comprise a two-part tariff with an emphasis on the volumetric component). (clauses 3a, 3b and 3c)

The Council recognises that urban water providers have mostly introduced consumption-based pricing. The 2003 NCP assessment will focus on those service providers that have not introduced consumption-based pricing.

For compliance with water reform obligations, water providers that are yet to introduce consumption-based pricing will need to do so by 30 June 2003. Governments should provide a robust case to show that the introduction of consumption-based pricing is not cost effective where full implementation will not occur by 30 June 2003 or where water and wastewater service providers do not propose to introduce consumption-based pricing.

Charges based on property values do not necessarily reflect the cost of services provided to different customer classes. Where charges (or a component of charges) are based on property values, governments will need to confirm that the method of charging does not undermine the principle of consumption-based pricing or lead to nontransparent cross-subsidies. Governments should demonstrate that customers of water businesses face a strong volumetric signal.

Free water allowances should be progressively removed as, in most cases, they lead to nontransparent cross-subsidisation, inhibit incentives for economical water use and undermine the principle of consumption-based pricing. For those instances where low level free water allowances are retained or are to be phased out over time, governments should demonstrate that a significant proportion of customers and water supplied face a strong volumetric signal.

Wastewater charges should reflect the level of services received (volume and pollutant load) where practicable (for example, through effective trade waste charges).

Specific assessment issues by jurisdiction

The following issues have been identified in previous NCP assessments as outstanding commitments. Governments are expected to show they have addressed them via their 2003 annual reports on NCP implementation.

New South Wales

- Many local government water service providers are yet to satisfy the CoAG obligation on consumption-based pricing. New South Wales should report on whether all service providers with more than 1000 connections:
 - apply two-part tariffs or other usage based pricing mechanisms;
 - usage based pricing other than two-part tariffs may meet the CoAG objective. The Council seeks information on the structure of any such arrangements in New South Wales, to show that they meet CoAG pricing objectives.
 - have provided robust argument showing why it is not cost effective where usage-based pricing reflecting CoAG pricing principles is not being implemented; and
 - have significantly reduced the use of free water allowances and property based charging.
- Trade waste charges for entities that discharge large volumes of waste and/or high strength waste are not extensively used in New South Wales. The absence of such charges reduces the incentive to minimise waste and can lead to nontransparent and inefficient cross-subsidies between dischargers.
 - New South Wales should report on the extent of adoption of new trade waste charges for the operation of trade waste sewerage services by non-metropolitan urban providers.
 - New South Wales should also explain how waste discharge thresholds and the levies charged are set, with the objective of ensuring this occurs in a manner that promotes efficiency.
- Sydney Water Corporation is reducing the use of property based charges for commercial wastewater services. In considering compliance, the Council will take into account the levels set for remaining property based charges in the next Independent Pricing and Regulatory Tribunal determination for Sydney Water Corporation.

Queensland

- Townsville City Council has not yet introduced two-part tariffs in water pricing, or provided satisfactory evidence to the Council to demonstrate that consumption-based pricing is not cost effective. The Council will consider the Queensland Competition Authority (QCA) review of Townsville's two-part tariff report, and the responses of both the Queensland Government and the Townsville City Council to that review.

- The charging arrangements set by NQ Water for its bulk water supplies are unclear. The Council requests information on whether NQ Water sets prices on a volumetric basis.
- The Council expects Queensland local governments to introduce trade waste charges where cost effective. The Council will assess the structure of trade waste charges, particularly for the largest 18 local governments, to confirm that they do reflect the pricing principles.

Western Australia

- Several water service providers are yet to satisfy the CoAG commitment in relation to consumption based pricing. Western Australia should report on the following.
 - For Busselton and Aqwest Water Boards, progress in implementing two-part tariffs for all water customers, including elimination of gross rental values and free water allowances from commercial water and wastewater charges.
 - For the Water Corporation, progress in removing gross rental values as the basis for metropolitan and country residential and commercial wastewater charges. Western Australia should report progress against the framework outlined in the 2001 NCP assessment.
- The City of Kalgoorlie-Boulder charges for wastewater and trade waste on the basis of gross rental values. Western Australia should report on the cost-effectiveness of alternative charging arrangements.

South Australia

- South Australia does not have a transparent price setting mechanism, or an independent process for reviewing prices. In the absence of an independent process for reviewing prices, the Council will:
 - continue to assess urban water, wastewater and trade waste charges consistent with the timetable for commercial pricing reform outlined in the supplementary NCP assessment of September 2000; and
 - pay particular attention to those prices that contain components based on property values because of the possibility that this may introduce nontransparent cross-subsidies.

Tasmania

- The Council has limited information on trade waste charging by Tasmania's local government service providers. Tasmania should provide information on the structure and use of trade waste charges in local

government areas where the largest trade waste dischargers are located. These include Devonport, Hobart, Launceston, Circular Head, Central Coast, Glenorchy and Burnie.

- At the time of the 2002 NCP assessment, the water scheme operated by Derwent Council was the only scheme still to implement two-part tariffs in water pricing in line with Tasmania's two-part tariff implementation timetable. (Tasmania's implementation timetable requires the Derwent Council scheme to have implemented two-part tariffs by the 2003 assessment.)
 - The Council expects Derwent Council to have implemented a pricing arrangement that is consistent with the CoAG pricing guidelines or the Tasmanian Government to provide robust evidence to demonstrate that two-part tariffs are not cost effective in this case.

The Australian Capital Territory

- The ACT does not have a systematic trade waste charging arrangement for high volume or toxic waste dischargers. The ACT is also yet to show that its current arrangements are not resulting in nontransparent and inefficient cross-subsidies. The ACT should independently analyse and, if cost effective, develop a systematic charging arrangement for trade waste including a clear implementation strategy.

Community service obligations

Where service deliverers are required to provide water services to classes of customers at less than full cost this cost be fully disclosed and ideally be paid to the service deliverer as a community service obligation. Governments have agreed that the National Competition Council should not assess the appropriateness of any individual community service obligation, but should review information provided by governments in totality to ensure community service obligations do not undermine the objectives of the agreed water reform framework. (clause 3a)

Community service obligations (CSOs) should be clearly defined, have an explicit public benefit objective, be transparently reported and be consistent with the aims of the CoAG pricing arrangements. The Council does not seek to examine the rationale for individual CSOs, but rather to ensure they are provided in ways that do not undermine the CoAG objectives for an efficient and sustainable water industry.

The Council asks governments to provide, where they have not already done so (see specific assessment issues by jurisdiction below), information on the size and objectives of CSOs provided by State and local government water and wastewater service businesses. The Council is looking for State and local governments to have an effective framework for identifying, costing, funding, delivering and reporting CSOs.

Consistent with the prioritisation of water reform objectives, it is the Council's expectation that this reform element for the urban sector should be completed for the June 2003 assessment and all remaining questions appropriately addressed.

Specific assessment issues by jurisdiction

The following urban and rural issues have been identified in previous NCP assessments as outstanding commitments. Governments are expected to show they have addressed them via their 2003 annual reports on NCP implementation.

Victoria

- The Council seeks information to show Victoria's commitment that all water authorities will report on CSOs in their annual reports commencing 2001-02 has been met.

Queensland

- Queensland has outstanding CSO commitments for local government water and wastewater service providers beyond the largest 18 local governments. The Council will look for these providers to have implemented CoAG commitments on CSOs. The Council will assess whether the Queensland Local Government Comparative Information Report provides adequate transparency of CSOs offered by water and wastewater businesses.

Cross-subsidies

Cross-subsidies should be transparently reported and ideally removed where they are not consistent with efficient service provision and use. (clauses 3a, 3b and 3c)

The Council will look for governments to demonstrate, where they have not already done so (see specific assessment issues by jurisdiction below), that they have identified and transparently reported the objectives and size of all remaining cross-subsidies.

The Council does not seek to examine the rationale of any individual cross-subsidies. Rather, it asks that governments explain the intent of any cross-subsidies, such that the Council can consider whether, in totality, they are consistent with the pricing objectives of CoAG's strategic framework for the efficient and sustainable reform of the water industry.

Consistent with the prioritisation of water reform objectives, it is the Council's expectation that this reform element for the urban sector should be

completed for the June 2003 assessment and all remaining questions appropriately addressed.

Specific assessment issues by jurisdictions

The following urban and rural issues have been identified in previous NCP assessments as outstanding commitments. Governments are expected to show they have addressed them via their 2003 annual reports on NCP implementation.

New South Wales

- New South Wales is yet to report on the mechanisms it is using to identify and transparently report cross-subsidies by non-metropolitan urban water and wastewater service providers. At the time of the 2002 assessment, the Department of Land and Water Conservation was finalising its water supply, sewerage and trade waste pricing guidelines.

Victoria

- Victoria, to date, has not developed guidelines to identify, measure and report cross-subsidies. In the 2002 NCP assessment, Victoria advised that it may do so subject to finalising new regulatory arrangements to transfer the economic regulation of the water industry to the Essential Services Commission. If regulation by the Essential Services Commission reveals significant cross-subsidies between services and/or customers, Victoria undertook to reconsider the need for guidelines on cross-subsidies for its water businesses.
- Victoria should develop a mechanism to review the extent and risk of rural cross-subsidies. This could be achieved by the Victorian Government requiring the Essential Services Commission to specifically investigate the existence of cross-subsidies when it first examines pricing by rural service providers.

Queensland

- At the time of the 2002 NCP assessment, the Council had insufficient information on the progress of local government water and wastewater service providers (outside the largest 18 local governments) in identifying and reporting cross-subsidies. The Council is looking for evidence that small to medium sized water businesses have implemented cross-subsidy commitments. The Council will consider whether the Queensland Local Government Comparative Information Report provides adequate transparency of cross-subsidies in water and wastewater business services.

Western Australia

- Western Australia should advise whether it has any guidelines or case study evidence to indicate whether cross-subsidies exist between different customer groups or different geographic areas of the State. The Council acknowledges that Western Australia has announced the phasing out of gross rental values from water and wastewater service charges. Western Australia should report on remaining cross-subsidies and action taken to address this issue.

South Australia

- South Australia is yet to demonstrate that it has met the obligation to transparently identify and analyse any cross-subsidisation between classes of customer in water and/or wastewater services. The establishment of more open and transparent price setting arrangements could address remaining questions regarding cross-subsidisation.

Tasmania

- Many consumers in Tasmania face property-based charging regimes for water and wastewater services. This increases the risk of cross-subsidisation. If these regimes are to continue, any resulting cross-subsidies must be transparently reported. Tasmania should advise how it will identify and report any remaining cross-subsidies.

The Australian Capital Territory

- As discussed in the section on consumption based pricing, the ACT's lack of systematic trade waste charging arrangements for high volume or toxic waste dischargers may lead to nontransparent cross-subsidies. The risk of cross-subsidies would be reduced if the ACT were to develop systematic charging arrangements for trade waste.

Rural pricing and full cost recovery

Victoria is to provide guidance on a dividend framework for achieving full cost recovery and rural pricing reform for rural water. The CoAG pricing guidelines require dividends, where provided, to reflect commercial realities and simulate a competitive market outcome. (clauses 3a and 3d)
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The Council will assess compliance with rural pricing obligations in 2004. The 2003 assessment will consider one outstanding rural pricing issue (relating to Victoria). Otherwise it will report on governments' progress towards implementation of CoAG obligations only.

- Victoria is developing a dividend framework for rural service providers for 2002-03. For the 2003 assessment, the Council will look for:
 - a dividend framework which puts in place arrangements for dividend distributions equivalent to Corporations Law requirements for the distribution of dividends;
 - agreement to apply the framework to rural water authorities;
 - actual dividend payments set at an appropriate level; and
 - a mechanism to review the extent and risk of rural cross-subsidies (see previous section on cross-subsidies for Victoria).

Progress report

For 2003, the Council asks governments to report progress on the following matters.

- Several Victorian rural districts supplied by Goulburn-Murray (Central Goulburn, Rochester, Campaspe, Pyramid-Boort, Shepparton, and Woorinen gravity irrigation supply areas) are not fully recovering costs.
 - During 2002-03, Victoria proposes to restructure rural tariffs to reduce the risk of under recovery in drought years. This should, on average, deliver full cost recovery in all irrigation districts within Goulburn-Murray. The Council seeks a progress report on full cost recovery for these schemes.
 - Victoria proposed to refine approaches to rural renewals annuities and asset valuations. Victoria had developed draft guidelines for renewals annuities on which further work was required. It also intended to finalise and issue an asset valuation practice statement to apply on or after 1 July 2002. The Council seeks an update on these initiatives.
- States have different policies on passing on River Murray Water costs to water users.
 - The Murray–Darling Basin States are asked to outline their policy approach on this issue.
 - South Australia does not pass on costs to water users. The Council seeks advice from South Australia on how it intends to disclose, on a per megalitre basis, the level of subsidy and/or CSO provided to water businesses that receive bulk water services from River Murray Water.

New rural schemes

Governments have agreed that all investments in new rural water schemes or extensions to existing schemes should be undertaken only after appraisal indicates that the scheme/extension is economically viable and ecologically sustainable. (clause 3(d)(iii))

In this assessment, the Council will consider all government investments in new rural schemes since the 2002 NCP assessment. This will include ensuring that the viability and sustainability of any new projects have been established prior to construction. The Council will examine the environmental assessment appraisals for all new rural projects including private investments. Economic viability appraisals of new rural infrastructure will be assessed only where governments contribute funds.

In previous assessments, the Council examined State and Territory government mechanisms appraising the economic and ecological aspects of new schemes. The Council found that these processes provide for appropriate independence, public consultation and scrutiny and are flexible enough to match the depth of analysis with the size and significance of the project. Over time, the Council needs to satisfy itself that these approval mechanisms are being applied so that any decision to construct a new scheme is based on robust economic and environmental assessments consistent with the CoAG requirement.

For assessments of economic viability, the Council looks for all relevant economic, social and environmental costs and benefits to be factored into the analysis.² For large developments, a robust cost benefit analysis is an effective way of meeting CoAG commitments. Appraisals should be based on the best information available with any assumptions and limitations clearly stated. For appraisals of ecological sustainability, the Council is interested in information on the nature of the assessment and decision making processes as well as mechanisms to monitor the impacts of the development and compliance with environmental standards.

Specific assessment issues by jurisdiction

The 2002 NCP assessment identified several potential rural water schemes, which, if they occur during 2002–03, will be considered in the 2003 NCP assessment.

Queensland

- In 2001, the Queensland Government announced an intention to proceed with the design of the Paradise Dam project in the Burnett Basin region.

² Viability assessments should discount cash flows using an appropriate rate such as a project specific weighted average cost of capital.

- Development of the Burnett resource operations plan (ROP) is a condition for a final decision to proceed with the dam. The final Burnett ROP is scheduled for April 2003.
 - The process of assessing new infrastructure can occur in parallel with the ROP. It may not be necessary to wait for the final ROP for a developer to commit to a new dam. However, the developer may not receive a water allocation until the ROP is finalised.
- Queensland has completed stage 1 (the pre-feasibility stage) in the development of the environmental impact statement.
 - Stage 2 (the pre-development stage) commenced in June 2002 and is expected to take 18 months. This stage will address the development of the ROP and relevant issues (such as native title).
- Queensland has advised that a final decision to commit to construction of the dam is unlikely before mid-2003.
- Queensland released a State infrastructure plan, including a strategic directions paper setting out infrastructure planning until 2006.
 - In 2001-02, Queensland provided some \$3.9 million to undertake planning and impact assessment investigations in the Burnett region. The Walla Weir 2, Barlil Weir, Eidsvold Weir and upgraded Jones Weir projects were identified as possible development projects.

South Australia

- South Australia is considering a rehabilitation project for the Lower Murray Reclaimed Irrigation Area. A decision to proceed on this project is expected to occur by the end of 2002.
- The Clare Valley project is a private sector venture (with no financial contribution from the Government). Therefore, if the project proceeds, the Council will assess the ecological sustainability aspects of the project only.

Tasmania

The Meander Dam is a proposed 43 gigalitre dam to supply licensed water users including for irrigation, for town domestic water supplies, for a proposed mini hydroelectric power plant, and to provide environmental flow requirements for the Meander River. The dam has been designated a controlled action under the Commonwealth Environment Protection and Biodiversity Conservation Act 1999. Since the Council's 2002 assessment, and following assessment under the statutory processes of Tasmania's Water Management Act and Environmental Management and Pollution Control Act, a permit was issued for construction of the dam. In January 2003, issue of the permit was overturned following an appeal to the Resource Management and

Planning Appeal Tribunal. The Tasmanian Government has subsequently announced that it will introduce legislation to allow construction of the dam (Green 2003).

- Tasmania's Water Development Plan contained proposals for a number of other new dam developments. In May 2002, the Tasmanian Government announced rural consultancies were underway to consider preliminary design works and environmental scoping for two rural water developments.
 - In the Circular Head region, a 5-gigalitre storage at Edith Creek (a tributary of the Duck River) could provide summer environmental flows for Edith Creek and the Lower Duck River and improved water availability for irrigation for the dairy industry.
 - In the Central Highlands region, an 18-gigalitre dam, a canal or pipeline at Christian Marsh on the Shannon River would enable distribution into the Clyde River improving water availability to supplement irrigation and provide environmental benefits for Lakes Crescent and Sorell.

Institutional separation

As far as possible, the roles of water resource management, standard setting and regulatory enforcement and service provision should be separated institutionally by 1998. (clauses 6c and d)

The CoAG commitments require governments to, at a minimum, separate service provision from regulation, water resource management and standard setting. Where this cannot be done institutionally, governments need to demonstrate adequate separation of roles to minimise conflicts of interest.

The Council looks for institutional separation in the areas of economic regulation (including prices), service standards, plumbing regulation, water management, environmental regulation and health standards. Where local government water businesses are too small to justify full independent monitoring of prices and service standards (as is sometimes the case), the Council looks for transparency and accountability in the setting and reporting of prices and service standards.

Separate Ministers is the preferred form of separation, but is not the only way to separate service provision from other roles. If, however, the regulator and service provider are responsible to the same Minister, the Council will need information about how any resulting conflicts of interest are addressed. The Competition Principles Agreement gives implicit support to the desirability of independent regulators in its clause 2 provisions on independent prices oversight.

There has been significant progress in separating regulation from service provision. All States and Territories except South Australia have, or are planning, independent prices oversight. Some jurisdictions are using water licences to define standards and are establishing mechanisms to monitor and report against those standards. Further, water management decisions are being separated from water service provision. In 2003 the Council is expecting resolution of outstanding institutional reform issues identified in the 2001 NCP assessment. The Council will also consider how institutional arrangements are operating in practice and any practical issues that have emerged since 2001.

Specific assessment issues by jurisdiction

The following issues have been identified in previous NCP assessments as outstanding commitments. Governments are expected to show they have addressed them via their 2003 annual reports on NCP implementation.

New South Wales

- New South Wales is yet to demonstrate that decision making by State Water is sufficiently separate from the Department of Land and Water Conservation's decision making on regulatory issues such that conflicts between regulation and service provision are avoided. The Council seeks information from New South Wales on improvements to transparency in the relationship between the department and State Water.
- New South Wales has water service regulations that set out, in broad terms, guidelines to move local councils to more customer responsive operations. This requires local governments to develop and publicly exhibit management plans.
 - The Council seeks information on progress in developing and implementing these management plans as well as other mechanisms for improving the transparency of service and water quality standards in non-metropolitan urban service providers.

Victoria

- The Essential Services Commission is due to become the economic regulator for the water industry from 1 January 2003. The Council seeks information from Victoria on these regulatory arrangements, demonstrating that they meet the CoAG institutional reform commitment.
- The Council seeks advice from Victoria on the implementation of the State's new regulatory framework that sets and enforces drinking water standards independent of the service provider. These standards should be consistent with the 1996 Australian drinking water quality guidelines.

- The Victorian Government has signed water service agreements with each of Victoria's 15 regional urban and rural water businesses. The Council seeks advice from Victoria on how these agreements will provide adequate transparency and accountability and remove conflicts between service provision and regulation.
- The Victorian Government has finalised its response to the NCP review of its water legislation. The Council will consider any institutional reform issues that arise from the review and the Government's response (see the discussion on legislation review).
- The Council is yet to receive the Victorian Government's response to the Environment Protection Authority review of the regulatory arrangements for septic tanks. The Council will consider the Government's response and any other outstanding issues in regard to the regulation of septic tanks.

Queensland

- The Queensland Government collects and publishes information on pricing, CSOs and cross-subsidies relating to local government water businesses. The Council will consider whether the information that is collected and published provides sufficient transparency in the reporting of these arrangements.
- Queensland is reforming its management of drinking water standards across the State. A review of the *Health Act 1937* is underway, a new Health Act will be drafted by the end of 2002, and Queensland will require public and private sector water providers to prepare drinking water quality plans commencing in early 2003.
 - Queensland is asked to report progress on the above elements to improve the management and enforcement of drinking water quality standards for local government based on the Australian drinking water quality guidelines.

Western Australia

- Western Australia has undertaken to introduce independent oversight of water prices, which it will do via the Economic Regulation Authority. The authority is currently being established. Western Australia should provide details of the regulatory arrangements it proposes, so the Council can consider whether this addresses CoAG institutional reform obligations.
- The Office of Water Regulation is reviewing water service standards and looking at the desirability of establishing a water Ombudsman. Western Australia is asked to provide information on the review, its recommendations and the Government's response to those recommendations.

South Australia

- South Australia lacks transparency in current price setting mechanisms. The Council will monitor and review any changes in pricing arrangements aimed at addressing transparency, and any other price issues that may emerge.

Tasmania

- The Council is still to receive detailed advice on the mechanisms Tasmania is considering for improving the transparency of information on pricing, CSOs and cross-subsidies. Tasmania is asked to advise on how it proposes to improve the transparency of reporting this information.
- Tasmania is still to develop a complaints handling mechanism, a service charter and access to the Ombudsman to address water service standard issues for customers of local government water businesses. Tasmania should provide information on developments on complaints handling.
- Tasmania is yet to formalise the Rivers and Water Supply Commission licence. The Council seeks information on this issue to determine whether the water management plans and conditions in the Rivers and Water Supply Commission's operating licence are delivering sufficient transparency to minimise any potential conflicts of interest.

The Northern Territory

- The Power and Water Authority is moving to introduce the drinking water quality management framework into major regional water supplies. The Council seeks information on whether the drinking water quality management framework is consistent with the Australian drinking water quality guidelines.

The Murray–Darling Basin Commission

- The Council will consider the adequacy of reporting in the Murray–Darling Basin Commission (MDBC) annual report of each government's annual cost shares for River Murray Water activities and the corresponding bulk water volumes supplied in each State.
- An independent review of pricing arrangements has been conducted. The MDBC Ministerial Council has given in principle support for the review's findings, and directed the MDBC to develop an implementation program.
 - The Council will assess the implementation of the review recommendations in 2004.

- In 2003, the Council will consider whether the MDBC Ministerial Council has endorsed the program to implement the independent pricing review report recommendations.

Performance monitoring and best practice

ARMCANZ is to develop further comparisons of interagency performance with service providers seeking best practice. (clause 6e)

Governments have established national processes for interagency comparisons and benchmarking. Benchmarking systems have been put in place for all urban and rural sectors. The Water Services Association of Australia reports annually on progress with major urban providers, although it will not report in 2003. The Council views active participation in these initiatives as demonstrating compliance with this aspect of the reform framework.

All State and Territory water businesses are participating in benchmarking processes, and this element of the reform program is essentially complete. The Council will monitor whether participation is continuing, focussing on any jurisdictions where previous assessments have found a decline in participation to ensure that the decline has been reversed. This item will be assessed for non major urban and rural service providers in 2003, and for the major urban providers based on the Water Services Association of Australia report in 2004.

Commercial focus

Metropolitan service providers must have a commercial focus, whether achieved by contracting out, corporatisation, privatisation etcetera, to maximise efficiency of service delivery. (clause 6f)

All metropolitan service providers now have a commercial focus. For this assessment, the Council seeks confirmation from all governments that there has been no change to this approach. Where there has been any change, the relevant government should provide the Council with a report.

Irrigation scheme management

Constituents be given greater degree of responsibility in the management of irrigation areas, for example, through operational responsibility being devolved to local bodies, subject to appropriate regulatory frameworks being established. (clause 6g)

Approaches to giving local irrigators more involvement in the management of irrigation districts vary among jurisdictions. Some governments have relied on consultative arrangements while others have devolved management

responsibility. In the 2003 assessment, the Council will consider how these arrangements are working in practice, progress in jurisdictions still implementing reforms and any specific issues arising from previous assessments.

Specific assessment issues by jurisdiction

The following issues have been identified in previous NCP assessments as outstanding commitments. Governments are expected to show they have addressed them via their 2003 annual reports on NCP implementation. Where previous NCP assessments found that governments had taken steps to achieve devolution consistent with CoAG requirements, the 2003 assessment will report on recent progress.

Queensland

- Queensland requires customer councils to have input into decisions on the management of irrigation areas. The Council will look at the effectiveness of this mechanism.

Western Australia

- The Council will monitor progress in devolution of local management in the Ord and Carnarvon regions.

South Australia

- The Council will monitor progress in devolution of local management in the Lower Murray Reclaimed Irrigation Areas.

Tasmania

- The Council will monitor progress in devolution of local management in the Cressy-Longford, Winnaleah and South-East schemes.
 - Tasmania has noted that it has encouraged devolution but that ultimately devolution depends on the willingness of irrigators to participate.

Water allocations and property rights

<p>There must be comprehensive systems of water entitlements backed by separation of water property rights from land title and clear specification of entitlements in terms of ownership, volume, reliability, transferability and, if appropriate, quality. Governments must have determined and specified property rights, including the review of dormant rights. (clause 4a)</p>
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A comprehensive system was subsequently defined as '*establishing water allocations to be put in place which recognises both consumptive and environmental needs. The system is to be applicable to both surface and ground water. However, applications to individual water sources will be determined on a priority needs basis (as determined by an agreed jurisdiction-specific implementation program.)*' (Tripartite Meeting 1999³)

CoAG is currently developing additional principles on water allocations and property rights.

In previous assessments the Council considered the legislative basis for establishing water entitlements. The Council also considered the implementation of legislation through, for example, water management planning processes, and the institutional arrangements that are needed to support effective property rights. In regard to these matters, the Council has drawn the following interpretations from CoAG decisions to date.

- Water rights should be linked to a robust adaptive resource planning system.
- Water property rights should be clearly specified so as to promote efficient trade within the social, physical and ecological constraints of the catchments.
- To achieve the above, property rights should be clearly specified over the long term, exclusive, enforceable and enforced, transferable and divisible to provide for sustainability and community needs and to reflect the scarcity value of water.
- In establishing rights that are well specified in the long term sense, there is a need to ensure water users get the highest possible level of security in regard to the nature of the property right, and absolute security on the issue of ownership.
- In relation to ownership, while a 'lease in perpetuity' maximises security, it is not required to meet CoAG commitments.
- Governments could decide to provide compensation, for instance where reductions in reliabilities or other relevant parameters are abrupt or extensive but the CoAG water reform strategy does not require compensation be provided. Whether or not compensation is provided is therefore not relevant to the assessment of NCP compliance.
- Any constraints on water rights and trade should be based on a sound public benefit justification and be implemented in a way that minimises impacts on efficient trade.

³ In January 1999, a tripartite meeting was held between representatives from the NCC, the High Level Steering Group on Water (augmented with representatives from ARMCANZ and ANZECC) and the Committee on Regulatory Reform to discuss concerns surrounding the implementation of the CoAG water reform framework. The recommendations arising from the meeting were subsequently endorsed by CoAG.

- Part IV of the Trade Practices Act could potentially be applied if the acquisition of water property rights results in a substantial lessening of competition.

The legislative framework underpinning systems of property rights is now in place in all jurisdictions. Governments are now implementing and refining the processes needed to implement their frameworks.

Specific assessment issues by jurisdiction

In 2003, the Council will assess only outstanding property rights reforms. These relate to New South Wales. The Council will look for New South Wales to have achieved significant progress against the property rights timetable published in the 2001 assessment including:

- the new access licence system to be established;
- regulations under the Water Management Act to be in place to establish the renewal system for water access licences; and
- the new registry system of water entitlements to be established.

Progress report – water property rights

The Council will assess progress with implementing property rights arrangements across all jurisdictions in 2004. To ensure implementation of effective property rights systems is on track, for the 2003 assessment the Council is seeking a progress report from all States and Territories discussing:

- progress in converting existing allocations to new property rights systems; and
- mechanisms for supporting property rights arrangements such as registry systems.
 - In assessing compliance, the Council will look for arrangements that ensure confidence in water entitlements and transactions and facilitate an efficient and transparent water market.
 - In past assessments, the Council has noted irrigator concerns focussing on the surety of rights to water, and the effects on farm values, farm management and the availability of finance. A registry system of water entitlements is a key means of addressing these concerns, particularly security of ownership and the willingness of financial institutions to lend to farmers.
 - A registry system provides a database allowing public access to information on the details of water licences such as ownership, any conditions imposed, duration, applications, surrenders, suspensions

and cancellations. By registering legal or equitable interests in water licences, a registry system covers circumstances where a licence is mortgaged, leased or transferred, or where conditions are imposed. A party with an interest in a licence is protected because its consent must be obtained before any action is taken that may affect its interest. A financier contemplating lending to a licence holder in return for an interest in the licence will be more confident about the security of the interest.

Provisions for the environment

Governments must establish a sustainable balance between the environment and other uses, including formal provisions for the environment for surface water and groundwater consistent with the ARMCANZ/ANZECC national principles.

Best available scientific information should be used and regard should be had to the inter-temporal and inter-spatial water needs of river systems and groundwater systems.

Governments are to consider environmental contingency allocations, with a review of allocations five years after they have been initially determined. (clauses 4b to f)

The Tripartite meeting provided further clarification of the commitment and timeframes:

For the second tranche [1999], jurisdictions submitted individual implementation programs, outlining a priority list of river systems and/or groundwater resources, including all river systems which have been over-allocated, or are deemed to be stressed and detailed implementation actions and dates for allocations and trading to the NCC for agreement, and to Senior Officials for endorsement. This list is to be publicly available.

For the third tranche [2001], States and Territories will have to demonstrate substantial progress in implementing their agreed and endorsed implementation programs. Progress must include at least allocation to the environment in all river systems which have been over-allocated, or are deemed to be stressed.

By 2005, allocations and trading must be substantially completed for all river systems and groundwater resources identified in the agreed and endorsed individual implementation programs. (1999 Tripartite Meeting)

The Council assesses progress in implementing programs for establishing environmental allocations against the ARMCANZ and ANZECC National Principles for the Provision of Water for Ecosystems. These principles are listed in box 1.

Box 1: ARMCANZ National Principles for the Provision of Water for Ecosystems

Principle 1 - river regulation and/or consumptive use should be recognised as potentially impacting on ecological values.

Principle 2 - provision of water for ecosystems should be on the basis of the best scientific information available on the water regimes necessary to sustain the ecological values of water dependent ecosystems.

Principle 3 - environmental water provisions should be legally recognised.

Principle 4 - in systems where there are existing users, provision of water for ecosystems should go as far as possible to meet the water regime necessary to sustain the ecological values of aquatic ecosystems whilst recognising the existing rights of other water users.

Principle 5 - where environmental water requirements cannot be met due to existing uses, action (including reallocation) should be taken to meet environmental needs.

Principle 6 - further allocation of water for any use should only be on the basis that natural ecological processes and biodiversity are sustained (that is, ecological values are sustained).

Principle 7 - accountabilities in all aspects of management of environmental water should be transparent and clearly defined.

Principle 8 - environmental water provisions should be responsive to monitoring and improvements in understanding of environmental water requirements.

Principle 9 - all water uses should be managed in a manner which recognises ecological values.

Principle 10 - appropriate demand management and water pricing strategies should be used to assist in sustaining ecological values of water resources.

Principle 11 - strategic and applied research to improve understanding of environmental water requirements is essential.

Principle 12 - all relevant environmental, social and economic stakeholders will be involved in water allocation planning and decision-making on environmental water provisions.

In 2003 the Council will assess outstanding environmental issues in several jurisdictions (see below). It will also report briefly on governments' progress with achieving appropriate environmental allocations, within the context of this matter being fully assessed in 2004.

Specific assessment issues by jurisdiction

The following issues have been identified in previous NCP assessments as outstanding commitments. Governments are expected to show they have addressed them via their 2003 annual reports on NCP implementation.

New South Wales

In the 1999 NCP assessment, the Council examined the 1998 interim environmental flows for all regulated rivers and was satisfied that New South Wales had met minimum commitments for stressed rivers.

New South Wales is now finalising some 39 water sharing plans for areas of high stress or high conservation that will lock in water sharing arrangements (including for the environment) for the next 10 years. These water sharing plans are to improve on the outcomes of the 1998 environmental flows. They will also establish new environmental flow provisions for key unregulated rivers and groundwater systems. The Council will assess the quality of the reforms achieved in these water sharing plans in a supplementary assessment. For the 2003 assessment, New South Wales should report on:

- any outstanding issues from the 2002 supplementary assessment; and

- the process and timetable for developing the next round of water sharing plans for stressed rivers.

Victoria

Victoria is yet to meet its commitments for action on environmentally stressed rivers. In the 2001 assessment, Victoria provided a three year timetable for improving the health of its priority stressed rivers. The 2002 assessment found this program to be on track against the overarching Victorian River Health Strategy. In 2003, the Council will assess the individual river health strategy plans for the priority stressed rivers against the 2001 timetable to ensure the environmental outcomes are being delivered.

- Development of the first round of five stressed river plans (for the Thomson, Macalister, Maribyrnong, Badger Creek and Lerderderg rivers) will be assessed against the stage 1 and stage 2 mechanisms in the river health strategy. The Council is holding quarterly consultative meetings with Victorian officials to monitor progress in developing the plans for the 2003 assessment.
- Victoria's progress in implementing the three year action plan on stressed rivers will be assessed against principles 4, 5, and 9. In particular, the Council will look for Victoria to invest in proposals to improve environmental health on stressed rivers with priority consideration being given to rivers nominated on the three year stressed rivers program.

Queensland

Queensland has outstanding commitments in relation to the Condamine–Balonne water resource plan, the Fitzroy Basin resource operations plan (ROP) and the Burnett Basin ROP. The Condamine–Balonne Basin is Queensland's sole stressed river basin, and the Condamine–Balonne water resource plan is a critical element of Queensland's compliance with the CoAG water reform obligations. The Fitzroy and Burnett ROPs are the first ROPs to be developed in Queensland to give effect to the environmental objectives of the water resource plans.

- For the Condamine–Balonne, the Council will assess any outstanding issues from Queensland's 2002 supplementary assessment on action to address the stressed condition of the basin. This may include Queensland's response to the scientific panel recommendations, public submissions and the development of a final Condamine–Balonne water resources plan.
 - The Council expects Queensland to have finalised the water resource plan for the Condamine–Balonne consistent with CoAG commitments, and to have the associated ROP underway.
 - The water resource plan will be assessed against principles 5 and 8.

- For the Fitzroy Basin, the ROP will be assessed against principles 4 and 8.
- For the Burnett Basin, the ROP will be assessed against principle 4 to ensure the ecological objectives set in the modified water resource plan will be met.

South Australia

South Australia has completed all water allocation plans associated with its original implementation program. South Australia is now in the process of prescribing the Marne River and other eastern Mount Lofty catchments as stressed systems, which will result in the development of water allocation plans for these systems. In the 2002 NCP assessment, the Council decided that any new systems that are prescribed should be assessed as additions to South Australia's implementation program. Accordingly, South Australia should report on:

- water allocation plans for newly prescribed systems as these are completed.
 - The Council will assess these plans against the ARMCANZ principles.

Tasmania

In the 2002 NCP assessment, the Council examined a draft of Tasmania's first water management plan – the Great Forester – produced in accordance with its implementation program. Tasmania was proposing to extensively modify the environmental water provisions in this plan based on a socio-economic study. The effect of the modification is to reduce allocations to the environment from the levels in the original plan. Given the precedent value of this first water management plan, the Council decided to reassess the final plan. Tasmania should report on:

- the environmental provisions in the final Great Forester water management plan; and
- the final Great Forester plan and Meander plan (if it is available) against ARMCANZ principles 5, 6 and 9. This assessment will take account of how Tasmania has incorporated socio-economic studies into its planning processes.

Progress report – water management plans

The Council will assess environmental allocations across all jurisdictions in 2004. To ensure implementation of environmental allocations is on track, for the 2003 assessment the Council is seeking a progress report from all States and Territories:

- that lists all draft and final water management plans, and explains the stage of development for plans in progress.

Intrastate trading

Governments have agreed that water trading arrangements should be in place so as to maximise water's contribution to national income and welfare, within the social, physical and ecological constraints of catchments. (clause 5)
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Intrastate trading arrangements are being assessed in 2003, and interstate trading arrangements in 2004. By 2005 trading reforms should be substantially completed for all river and groundwater sources identified in implementation programs.

To provide a consistent basis for assessment, the Council will continue to evaluate the arrangements in each jurisdiction against a common set of key criteria, which are consistent with the findings of the High Level Steering Group on Water, 'A National Approach to Water Trading'. These criteria broadly state that governments should establish a framework of trading rules, including developing necessary institutional arrangements from a natural resource management perspective, to eliminate conflicts of interest and remove impediments to trade. The Council will consider the adequacy of trading rules to ensure that the scope for efficient trade is maximised. Where restrictions on trade exist, governments need to provide information on the physical, social or ecological reasons for the restrictions.

For the 2003 NCP assessment, the Council is looking for States and Territories to provide information in a form that enables comparison of current arrangements with the environment at the time of the third tranche (2001) assessment. Governments are asked to provide information on:

- current trading rules and zones;
- legislative and institutional arrangements;
- effective trade in areas of demand and measures in place to increase the depth of water trading markets. This should include the value, volume, location and nature (for example, permanent versus temporary trades, transfers from lower to higher value uses) of intrastate trades;
- the net public benefit where restrictions remain (including restrictions on trade out of irrigation areas);
- the mechanisms in place for water trading for avoiding adverse environmental impacts on river and groundwater health; and
- the availability of market information including what and how much water can be traded, the availability of pricing information, where it can be traded to and how it can be traded.

Specific assessment issues by jurisdiction

The following issues have been identified in previous NCP assessments as outstanding commitments. Governments are expected to show they have addressed them via their 2003 annual reports on NCP implementation.

New South Wales

The operational arrangements for New South Wales irrigation corporations such as Murray Irrigation (which require the board of the corporation to approve all trades on behalf of shareholders) have resulted in some cases in no trading out of irrigation districts. New South Wales should report on:

- progress in removing restrictions on trading out of irrigation districts; and
- any outstanding trade issues arising from the 2002 NCP supplementary assessment on the State's water sharing plans.

Victoria

Victoria has a number of constraints in place that restrict trade. While some of these constraints act to increase environmental flows, alternative mechanisms should be considered that do not hinder trade. Victoria needs to show it has removed unnecessary constraints on water trading. Victoria should report on:

- the requirement to own land as a condition of owning a licence;
- the requirement that trade in unregulated streams be limited to downstream trade;
- its decision to reduce volumes traded by 20 per cent except for winter-fill licences (in the 2002 NCP assessment, the Council expressed the view that these provisions should only be applied as a last resort and should ideally not be included in final streamflow management plans);
- the use of the 2 per cent rule (which allows Victorian water authorities to refuse trades that would result in more than 2 per cent of the total water entitlement of an irrigation district being transferred in any given financial year) and alternatives such as exit fees that do not hinder trade; and
- progress against its commitments to review the current pricing arrangements for bulk water supply prior to the Essential Services Commission determining prices in this area in 2003, and to reflect the outcome of the review in the pricing principles and price controls being developed for the rural sector (see also section on legislation review).

- A report by the consultants Marsden Jacob found that the return on assets differential charged for water supplied by rural water authorities to regional urban customers and to rural customers creates distortions in the temporary market for water trading.

Queensland

- Queensland is still to implement a comprehensive mechanism to provide for permanent water trading. Intrastate trading of water allocations is to occur through the implementation of ROPs. The Council will examine the trading provisions contained in the first ROPs to be developed in Queensland for the Fitzroy and the Burnett Basins.
- Queensland has operated a water trading trial (Mareeba–Dimbulah) as a prelude to developing the trading provisions in the ROPs. Queensland intends extending the trial to a number of other SunWater supply schemes.
 - The Council asks that Queensland report on extensions to the trial to implement interim trading arrangements in identified regions pending the development of ROPs.
- The Council will assess, as the market for water develops, Queensland's procedures to protect market participants, third parties, and the environment, including the register of property rights, timely processing of applications for trade and the streamlining of administrative processes for clearances, and the arrangements for capital efficiency.

Western Australia

In the 2001 NCP assessment, the Council found that Western Australia had established a water trading framework, although trading was still embryonic. Western Australia is asked to report on the effect on the development of trading of legislative restrictions in the amended *Rights in Water and Irrigation Act 1914* that:

- allow for local by-laws to prohibit transfers;
- require an ability to use the water in order to hold an allocation; and
- set a time limit for water rights to be used (before the right is forfeited).

The Council noted evidence at the time of the 2001 NCP assessment that the above provisions may constrain trade and, as a result, limit Western Australia's capacity to achieve the CoAG objective of maximising water's contribution to national income and welfare (within the social, physical and ecological constraints of catchments). The 2001 assessment report noted, for example, that trading in the Wanneroo groundwater area was limited to one sub-area.

In 2001, Western Australia pointed to widespread community concern about the possibility of speculation in water trading, and about potential adverse environmental outcomes from trading. While accepting the legitimacy of Western Australia's concerns (and finding that its trading arrangements in 2001 were consistent with CoAG requirements), the Council pointed to the desirability of encouraging trading as soon as possible once the risk to the environment, community and third parties is better understood.

Noting the limited amount of trading in Western Australia in 2001, the Council indicated that it would revisit this matter in future assessments. In the 2003 assessment, the Council is looking for:

- information from Western Australia on the extent of water trading in the State;
- advice on action being considered to facilitate trading while protecting the environment, community and third parties; and
- in this context, Western Australia to demonstrate a continuing need for the current restrictions, and that the State's objectives relating to water trading could not be achieved by other means (that is by imposing fewer restrictions on trading).

South Australia

In South Australia there are limits on the volume of water that can be traded out of some irrigation districts in any given year. The Central Irrigation Trust has placed a 2 per cent cumulative limit on the proportion of irrigation entitlements that can be sold out of its districts. South Australia should report on:

- limits on the volume of water that may be traded out of irrigation schemes, and the use of reduction factors on water transfers;
- transfer criteria in water allocation plans for prescribed resources; and
- penalties for noncompliance with licence conditions (in 2001, the Council found penalties were relatively low compared to other States and the market price for water).

Tasmania

Water management plans may provide for the temporary and permanent transfer of water allocations. There were no water management plans in place at the time of the 2001 NCP assessment, and the Council was unable to consider impacts on water trading. As a result, the Council decided to revisit water trading mechanisms in water management plans. Tasmania is asked to report on:

- local trading rules in water management plans and their likely impacts on trading;
- where local rules hinder trading, the supporting rationale for the rule;
- new arrangements for permanent transfers for unregulated systems given the restriction in section 96 of the Water Management Act 1999 on the prohibition on permanent water transfers expired on 1 January 2003; and
- restrictions on water moving to nonagricultural use.
 - In 2001, the Council found the Rivers and Water Supply Commission had discretion to refuse a transfer where commercial irrigation water is to be used for another purpose after the proposed transfer. The restriction has the objective of limiting rural subdivision of productive properties and the establishment of rural-residential developments. The Council found the restriction on trade may be inconsistent with CoAG commitments and suggested a better mechanism may be local planning regulations.

Progress report - The Murray–Darling Basin Commission

The Council will consider interstate trading arrangements in the 2004 assessment. For 2003, the Council asks for a progress report on the following issues:

- a system of exchange rates to allow for trading between regions and between different water rights in different States;
- adequate environmental controls to ensure water trading does not result in environmental degradation;
- efficient administrative arrangements for processing and approving trades; and
- a system to provide access to State-based registry systems which enables those interested in interstate trading to obtain the information they need to conduct such trades.

Integrated catchment management

Governments must have in place integrated resource management practices, including:

- demonstrated administrative arrangements and decision making processes to ensure an integrated approach to natural resource management and integrated catchment management;
- an integrated catchment approach to water resource management including consultation with local government and the wider community in individual catchments; and

- consideration of landcare practices to protect rivers with high environmental values. (clauses 6a and b, and 8b and c)

Integrated catchment management aims to provide sustainable ongoing access to land and water resources to ensure catchments are managed for the benefit of all Australians. In particular, it involves consideration of landcare practices to protect rivers with high environmental values from flow, habitat and water quality stress. Consistent with the prioritisation of water reform objectives, a comprehensive integrated catchment management approach should be in place by June 2003.

Large scale environmental degradation threatens all States and Territories and is one of Australia's most pressing issues. Problems such as salinity, river degradation and pollution, biodiversity loss and soil degradation, demonstrate that the way our land and water is used and managed is not sustainable. It threatens agriculture, rural communities, urban communities and other environmental assets.

Degradation of Australia's catchment systems has many facets. For example, nutrient rich sewage from towns and cities is released into waterways, contributing to toxic algal blooms in rivers and the pollution of river estuaries. This prevents water use for drinking or swimming, reduces aesthetic value, decreases tourism capabilities and diminishes the viability of oyster and shellfish industries.

The Australian Conservation Foundation and the National Farmers Federation have estimated that some 2.5 million hectares of land is affected by salinity and this is projected to increase to more than 15.5 million hectares (about 30 per cent of cultivated land) unless action is taken immediately. The 2001 National Land and Water Resources Audit estimated that one-third of all Australian rivers are in extremely poor condition. Further, by 2020, Adelaide's drinking water is expected to fail World Health Organisation salinity standards on two days in every five (Howard 2000).

The annual cost of land and water degradation has been estimated to be \$3.5 billion per annum, excluding the cost of pests and weeds (Howard 2000). The Australian Conservation Foundation and the National Farmers Federation have estimated that the annual cost of degradation in rural landscapes is at least \$2 billion annually, and with no action could increase to \$6 billion annually by 2020 (NFF/ACF).

Integrated catchment management is being implemented through the creation of partnerships between the different levels of government and non-government organisations. The Council will examine how the programs established so far by governments for improving integrated catchment management are being implemented. Programs should address:

- government agency coordination;
- community involvement;

- coordinated natural resource planning;
- legislative frameworks;
- monitoring systems;
- linkages to urban and development planning, and support for natural resource management programs; and
- landcare practices contributing to protection of rivers of high environmental value.

Stakeholder participation in catchment planning requires agreement to the principles underpinning a catchment management plan such as:

- cost sharing arrangements;
- acceptable basin impacts; and
- allowable tradeoffs among water users.

Appropriate institutional arrangements should ideally have a statutory underpinning. The Council will report on regional strategies to achieve integrated catchment management objectives, including salinity management. This will include those being developed under bilateral agreements between the States and Territories and the Commonwealth under the National Action Plan on Salinity and Water Quality.

The Council is seeking information from governments including:

- a description of the overall coordinating body including its composition and functions relating to natural resource management and links to regional/local government bodies;
- a description of the process whereby catchment management bodies (trusts, committees, councils, or groups) are formed — including how the local community, local government, and State agencies are involved;
- a description of the statutory basis of catchment management plans/strategies, and capacity and mechanisms to enforce actions identified in the plans;
- a description of the framework used to assist catchment managers to evaluate/review the effectiveness of a catchment management process; and
- a description of landcare practices (including extent of coverage) that protect areas of river that have a high environmental value.

In the 2001 NCP assessment, the Council reviewed each government's arrangements to ensure effective implementation of catchment management practices. The assessment identified a need for further work on integrated catchment management arrangements to address NCP obligations. In 2003,

the Council will follow up on elements that were identified as not fully implemented in previous assessments (see below). The Council will consider action by governments since 2001 aimed at achieving the CoAG objective, including further advancements or changes in integrated catchment management practices. It will review relevant reports and consider whether the findings of these reports are being implemented.

Appendix 2 contains the national framework for natural resource management standards and targets as endorsed by all governments under the NRM Ministerial Council in May 2002. Integrated catchment management arrangements will continue to be developed in the context of the National Action Plan for Salinity and Water Quality and under the Natural Heritage Trust.

Specific assessment issues by jurisdiction

The following issues have been identified in previous NCP assessments. Governments are asked to provide information on these issues via their 2003 annual reports on NCP implementation.

New South Wales

Catchment blueprints are 10-year integrated catchment management plans that will set targets and outline investments in a broad range of management actions in each catchment area to guide the long-term management of natural resources in New South Wales. New South Wales will need to:

- demonstrate that it has the catchment management blueprints in place;
- provide information on the targets contained in these blueprints; and
- explain the relationship between the blueprints and water sharing plans, regional vegetation plans and other natural resource management plans.

Victoria

The prioritisation of water reforms agreed by CoAG senior officials sets integrated catchment management as one of the matters for assessment in 2003. Victoria is implementing broad-ranging integrated catchment management objectives through the Victorian River Health Strategy. The strategy provides for the development of regional health plans that identify management actions and investment priorities for all rivers or river reaches of high environmental value in relation to river flow, habitat and water quality issues. Stressed high value rivers will be subject to an integrated river health plan. Victoria is asked to report on the basis and implementation of its river health strategy, showing that it has achieved integrated catchment management objectives consistent with the CoAG timeframe. In particular Victoria is asked to:

- confirm that it has reviewed and renewed Regional Catchment Strategies and completed regional River Health Strategies in all regions (in line with the June 2003 completion date indicated in the Victorian River Health Strategy;
- provide information on the targets contained in the regional River Health Strategies.

South Australia

South Australia will need to show that it has achieved satisfactory progress in implementing its eight catchment water management plans (against its timetable for implementation established in 2001). South Australia should report on:

- progress in implementing the remaining four catchment water management plans;
- the targets contained in these plans;
- outcomes of the review of the current catchment water management plans as required by the State Water Plan 2000; and
- progress on the development of new state integrated catchment management arrangements (as outlined in the 2002 NCP assessment) based on;
 - the development of water catchment areas and the continuation of skill-based boards; and
 - integration of existing plans for water management and allocation, soil conservation and management, animal and plant control, native vegetation, re-vegetation and biodiversity and salinity management.

Tasmania

Tasmania's Natural Resource Management framework sets out integrated catchment management principles and priorities, administrative arrangements at State and regional levels, and integration with statutory and non-statutory instruments. Legislation to give effect to the framework was scheduled to be introduced in the second half of 2002. The legislation establishes a Natural Resource Management Council, regional committees and processes to accredit regional natural resource management strategies. Tasmania should report on:

- the new administrative arrangements in place to deliver integrated catchment management outcomes;
- progress in developing regional strategies scheduled to be completed and in place by mid-2003; and

- the integrated catchment management targets contained in regional strategies.

The Northern Territory

The Northern Territory is expanding four water allocation plans to include complementary regional water resource strategies that address integrated catchment management issues. The Northern Territory should report on:

- progress in including regional water resource strategies in water allocation plans;
- the integrated catchment management targets contained in these regional water resource strategies; and
- the integrated catchment management processes in place to respond to increases in the level of agricultural development in the Daly Region to avoid the potential for future environmental problems.

The National Water Quality Management Strategy

Governments agreed to support ANZECC and ARMCANZ in developing the National Water Quality Management Strategy (NWQMS), through the adoption of market-based and regulatory measures, water quality monitoring, catchment management policies, town wastewater and sewage disposal, and community consultation and awareness.

Governments are to demonstrate a high level of political commitment and a jurisdictional response to ongoing implementation of the principles contained in the NWQMS guidelines, including on-the-ground action to achieving the policy objectives. (clause 8b and d)

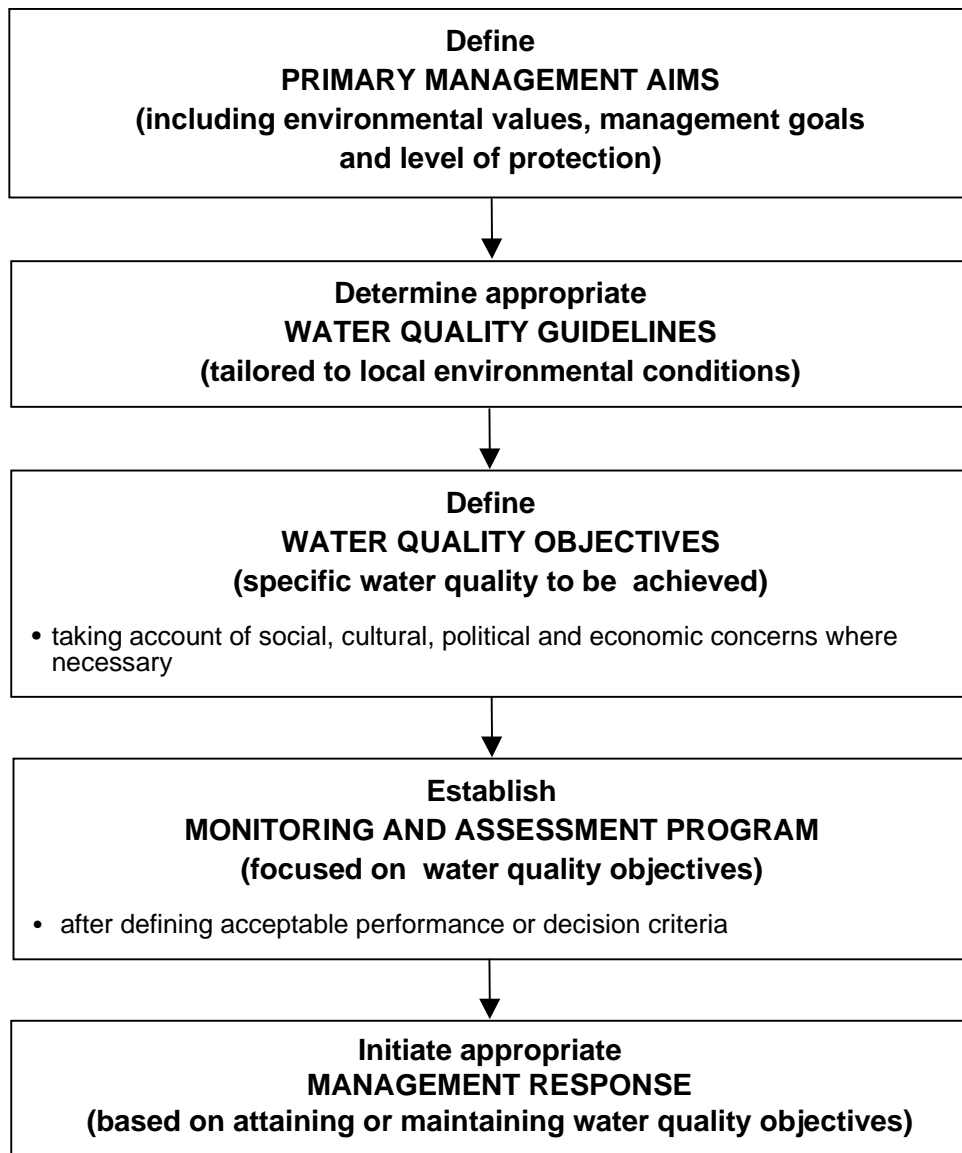
The National Water Quality Management Strategy (NWQMS) aims to deliver a nationally consistent approach to water quality management of a high standard. It has been developed and implemented in response to growing community concern about the condition of the nation's water. The policy objective is 'to achieve sustainable use of the nation's water resources by protecting and enhancing their quality while maintaining economic and social development.' Water quality management should occur at the State and Territory level using water quality planning and policy instruments to set water quality goals and objectives that are in line with agreed national guidelines. These goals and objectives should form the basis for management strategies and actions.

In February 2001, the Council released an NCP discussion paper 'Implementing the National Water Quality Management Strategy' (paper prepared by Environment Australia and the Department of Agriculture, Fisheries and Forestry Australia in consultation with State and Territory government agencies). The paper was prepared as a guide to the assessment of governments' compliance with this commitment (the paper is available on the Council's website www.ncc.gov.au).

The Commonwealth, after consultation with States and Territories, proposed that implementation of the NWQMS guidelines be assessed through a two yearly review. The February 2001 discussion paper lists the NWQMS guidelines and discusses their status. The Council stated at the time that it would look for governments to show how the guidelines are adopted in the 2001 and subsequent assessments. In the 2003 assessment, the Council will be assessing how governments have pursued this objective.

Implementation of the NWQMS requires application of the NWQMS water quality management framework (see Figure 1 below).

Figure 1. Water quality management framework



Source: NWQMS 2000, Volume 4 - Australian and New Zealand Guidelines for Fresh and Marine Water Quality

Because the two year timeframe proposed by the Commonwealth and agreed by the State agencies in 2001 will expire in early 2003, the Council expects State and Territory governments to have largely implemented the NWQMS

by the 2003 assessment. States and Territories should demonstrate that they have applied a broad water quality management framework – isolated examples of where the framework has been implemented will not be sufficient to demonstrate compliance with reform obligations. The Council therefore proposes that the 2003 assessment examine:

- the extent to which the State and Territory governments have processes, instruments or mechanisms in place to implement the key elements of the NWQMS;
- the extent to which these processes, instruments or mechanisms have been or are being employed consistently and systematically within each State and Territory; and
- the timeframes proposed for implementation of these key elements.

The CoAG framework calls for a strategy for the achievement of sustainable water quality management built on a mix of approaches including, but not limited to, regulatory and market based approaches, integrated catchment management, education and guidance. Where guidelines have been finalised, governments should have initiated activities such as water quality monitoring, catchment management policies, town wastewater and sewerage disposal, water sensitive urban design, and community consultation and awareness to give effect to the NWQMS.

The 21 guideline documents comprising the NWQMS aim to provide a nationally consistent approach to water quality management. The national guidelines have a shared national objective but allow governments flexibility in responding to different circumstances at regional and local levels. Appendix 3 provides guidance on how the NWQMS commitment can be met for the 2003 NCP assessment and includes a list of all completed guidelines. Details of the intent of each module were outlined in the 2001 NCP assessment framework paper (available on the Council's website at www.ncc.gov.au). Appendix 3 is not intended to be prescriptive given the flexibility available to governments. In particular, the Council will take into account developments in integrated resource management (for example, through the National Action Plan on Salinity and Water Quality and the NRM Ministerial Council process) which enhance the original CoAG objectives in conducting the assessment.

Specific assessment issues by jurisdiction

The following issues have been identified in previous NCP assessments as outstanding commitments. Governments are expected to show they have addressed them via their 2003 annual reports on NCP implementation.

Queensland

In the 2001 NCP assessment, the Council found Queensland was implementing policies that support the objectives of the NWQMS. Queensland should report on:

- the use of water use plans to control any adverse impacts for water quality that arise from new allocations (the Water Act 2000 requires water use plans to be prepared when there is a risk of land and water degradation in an area); and
- water quality monitoring mechanisms, in order to address the Council's 2001 finding that there was insufficient water quality data relating to some river basins in Queensland.

Western Australia

Western Australia has provided a timetable for meeting its water quality commitments but is yet to implement them. The Council recommended two consultative meetings to ensure sufficient progress is achieved by the time of the 2003 assessment. The first of these meetings occurred in December 2002, with the second scheduled for March 2003. The December meeting indicated that Western Australia is achieving satisfactory progress towards implementing its water quality obligations. The Council has reported on Western Australia's progress at December 2002 in its electronic newsletter (eNews January 2003).⁴ For the 2003 assessment, Western Australia should report on:

- progress against the benchmarks in the State's plan for implementation of the NWQMS set in the 2002 NCP assessment.
 - Given the timeframe for the NWQMS agreed by governments, Western Australia will need to have substantially implemented its water quality strategy if it is to be considered to have complied with CoAG obligations.

South Australia

South Australia is implementing an environmental protection (water quality) policy to provide a consistent framework for protecting water quality across the State and to implement the NWQMS. In 2002, South Australia committed to a timetable for implementing the policy. South Australia should report on:

- implementation of the environmental protection (water quality) policy in accordance with the South Australian timetable.

⁴ To subscribe to receive the NCC electronic newsletter, contact the Council's Communications Manager on (03) 9285 7497.

- The Council indicated in the 2002 assessment report that if the policy is not in place for the 2003 NCP assessment it would take this noncompliance into account in its NCP payments recommendations.
- draft modules to implement specific guidelines for freshwater and marine water quality, drinking water and water quality reporting and monitoring, released for public consultation.

Education and consultation

Governments must have consulted on the significant CoAG reforms (especially water pricing and cost recovery for urban and rural services, water allocations and trade in water entitlements). Education programs related to the benefits of reform should be developed. (clauses 7a to e)

Governments' performances against public consultation and education commitments are assessed in relation to the reform areas that are due for assessment. Therefore, public consultation and education commitments relating to institutional reform, urban pricing reforms, intrastate trading arrangements, integrated catchment management and water quality commitments relating to the NWQMS will be considered in 2003. Outstanding issues from previous assessments will also be assessed against public consultation and education commitments.

Specific assessment issues by jurisdiction

The following issues have been identified in previous NCP assessments as outstanding commitments. Governments are expected to show they have addressed them via their 2003 annual reports on NCP implementation.

New South Wales

At the time of the 2002 NCP assessment, New South Wales was in the process of finalising 39 draft water sharing plans that had been released for public consultation. The Council indicated that it would consider public consultation arrangements on the water sharing plans and the State Water Management Outcomes Plan as part of a supplementary assessment (arising from the 2002 NCP assessment) of the State's final water sharing plans. New South Wales should report on:

- any issues that remain from the supplementary assessment regarding public consultation on the final State Water Management Outcomes Plan and water sharing plans.

Victoria

Victoria should report on public consultation and education undertaken in relation to its regional River Health Strategies.

Queensland

The *Water Act 2000* provides a statutory basis requiring that all stakeholders be consulted during the development of water resource plans and ROPs. In 2001, the Council raised a concern regarding the adequacy of information available to stakeholders from the draft water resource plan stage to the final plan. Queensland committed to provide adequate information relating to the changes from the draft to the final plan and to indicate any trade-offs made in the final water resource plan. The Condamine–Balonne water resource plan will be the first plan to reflect the new arrangements. Queensland should report on:

- the inclusion of the additional information in the section 51 public consultation reports accompanying the final water resource plans.
 - The Council will consider how new public consultation arrangements have been addressed in the final plan. The plan should include background information on the plan, a summary of the issues raised during public consultation, the implications of the plan, and a discussion of those aspects that significantly differ from the publicly exhibited draft plan.

Water legislation review and reform obligations arising from the Competition Principles Agreement

As well as implementing the CoAG water framework, governments agreed to ensure the water industry is subject to clause 5 of the Competition Principles Agreement (CPA). Clause 5 obliges governments to ensure that existing and new legislation does not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs; and
- the objectives of the legislation can only be achieved by restricting competition [CPA clause 5(1)].

All legislation that restricts competition that existed at June 1996 must be reviewed and where appropriate reformed. Reform is 'appropriate' where restrictions on competition cannot be shown to provide a net benefit to the whole community and to be necessary to achieve the objective of the legislation.

CoAG requires the review and appropriate reform of existing legislation restricting competition to be completed by 30 June 2002 as a condition for receipt of competition payments. Completion of review and appropriate reform obligations is a key element of the 2003 assessment. Where reviews and/or reform implementation are not complete (or a firm transitional path to reform is not in place) at 30 June 2003, the relevant matter will be considered to not comply with NCP obligations.

Governments should provide information sufficient to enable the Council to assess compliance against the CPA clause 5 guiding principles. The Council will need the following information for remaining (that is, not yet complying) priority water legislation:

- the review process and findings including relevant public interest evidence (which could be provided by the review report);
- the reforms introduced in response to the review;
- any restrictions on competition that remain; and
- the net public benefit case supporting restrictions introduced or retained.

The status of the legislation review and reform program in the water industry as at April 2002 is outlined in appendix 4.

The Council is looking for jurisdictions to report on reviews of water legislation including whether legislation has been repealed by passage of new legislation. Where a government chooses to continue a restriction on competition, or not to apply recommended reforms, the Council will require evidence of the public interest justification.

Specific assessment issues by jurisdiction

Several governments have met all legislative review commitments with regard to legislation for the water industry. The key water legislation reviews that are still outstanding and which will be assessed in the 2003 NCP assessment are discussed below.

Victoria

- The Marsden Jacob Associates review of the *Water Act 1989*, *Water Industry Act 1994*, *Melbourne & Metropolitan Board of Works Act 1958*, *Melbourne Water Corporation Act 1992* and *Rain Making Control Act 1967* was completed in June 2001. The Victorian Government released a response to this review in June 2002 providing for the following action.
 - Legislation to transfer economic regulation of the water industry to the Essential Services Commission was scheduled for the Spring session 2002.

- Competition for the right to supply major new developments on the basis of cost efficiency, that is, vetted competition to be overseen by the Office of the Regulator General, will be introduced in the first half of 2003. A review of the costs and benefits of introducing a third party access regime for water will occur within 12 months after the introduction of the Essential Services Commission.
- Legislation to allow leasing arrangements of water entitlements was to be in place by the end of 2002.
- A review of the differential rates of return on bulk supplies for regional urban and rural users will occur in 2003 before the Essential Services Commission is established.
- Legislation to amend the by-law making powers in the *Water Act 1989* (s147) and the *Melbourne and Metropolitan Board of Works Act 1958* to separate the roles of infrastructure provision and service delivery is proposed for Autumn 2003.
- Work to develop a single comprehensive legislative framework for Victoria's water businesses is scheduled to occur in 2003.

Western Australia

- Western Australia is amending a number of water Acts via the passage of an Acts Amendment and Repeal (Competition Policy) Bill (see appendix 4 for the Acts to be repealed or modified).
- The first of two legislation reviews of the Water Services Coordination Act 1995 was completed in July 1999. The review recommended amendments to adopt a simpler and more competitive regime, as well as providing for competitive neutrality in application of relevant water Acts.
 - A second review of the Water Services Coordination Act commenced in October 2002. The review is required to take into account the recommendations of the NCP review of this Act and all other water industry legislation. The review is scheduled to be completed by March 2003.

South Australia

South Australia has completed a number of water legislation reviews but is still to act on the recommendations to amend legislation.

- Sewerage Act 1929, South Australian Water Corporation Act 1994, Waterworks Act 1932
 - The review was completed in November 2000 and the Government is considering the recommendations.

- Irrigation (Land Tenure) Act 1930
 - This review was completed in December 1999 and no major issues were identified. The legislation is to be updated and consolidated.
- Irrigation Act 1994
 - This review was completed in August 2000 and recommended minor legislative change, and a comprehensive review of the legislation and its objectives.
- Renmark Irrigation Trust Act 1936
 - The review was completed in August 2000. Minor legislative change is required to remove obsolete and inconsistent sections.
- River Murray Waters Agreement Supplementary Agreement Act 1963
 - The review was completed in September 1998 and recommended the repeal of the Act.

Appendix 1: Guidelines for the application of Section 3 of the Strategic Framework and Related Recommendations in Section 12 of the Expert Group

1. Prices will be set by the nominated jurisdictional regulators (or equivalent) who, in examining full cost recovery as an input to price determinations, should have regard to the principles set out below.
2. The deprival value methodology should be used for asset valuation unless a specific circumstance justifies another method.
3. An annuity approach should be used to determine the medium to long term cash requirements for asset replacement/refurbishment where it is desired that the service delivery capacity be maintained.
4. To avoid monopoly rents, a water business should not recover more than the operational, maintenance and administrative costs, externalities, taxes or TERs [tax equivalent regime], provision for the cost of asset consumption and cost of capital, the latter being calculated using a WACC [weighted average cost of capital].
5. To be viable, a water business should recover, at least, the operational, maintenance and administrative costs, externalities, taxes or TERs (not including income tax), the interest cost on debt, dividends (if any) and make provision for future asset refurbishment/replacement (as noted in (3) above). Dividends should be set at a level that reflects commercial realities and stimulates a competitive market outcome.
6. In applying (4) and (5) above, economic regulators (or equivalent) should determine the level of revenue for a water business based on efficient resource pricing and business costs. Specific circumstances may justify transition arrangements to that level.
7. In determining prices, transparency is required in the treatment of community service obligations, contributed assets, the opening value of assets, externalities including resource management costs, and tax equivalent regimes.

Source: NCC (1998)

Notes:

- The reference to or equivalent in principles 1 and 6 is included to take account of those jurisdictions where there is no nominated jurisdictional regulator for water pricing.
- The phrase not including income tax in principle 5 only applies to those organisations which do not pay income tax.
- Externalities in principles 5 and 7 means environmental and natural resource management costs attributable to and incurred by the water business.
- Efficient resource pricing in principle 6 includes the need to use pricing to send the correct economic signals to consumers on the high cost of augmenting water supply systems. Water is often charged for through a two-part tariff arrangement in which there are separate components for access to the infrastructure and for usage. As an augmentation

approaches, the usage component will ideally be based on the long-run marginal costs so that the correct pricing signals are sent.

- Efficient business costs in principle 6 are the minimum costs that would be incurred by an organisation in providing a specific service to a specific customer or group of customers, or the minimum amount that would be avoided by not providing the service to the customer or group of customers. Efficient business costs will be less than actual costs if the organisation is not operating as efficiently as possible.

Appendix 2: National Framework for Natural Resource Management (NRM) Standards and Targets

The following paper was endorsed by all governments through the Natural Resource Management Ministerial Council in May 2002.

1. The National Framework has been developed to implement the requirements of the National Action Plan for Salinity and Water Quality and its Intergovernmental Agreement (IGA) with regard to NRM standards and targets. It is also capable of being extended to support integrated regional planning and investment under the Natural Heritage Trust. The framework was developed and endorsed as an agreed basis to develop future integrated catchment management targets.

Elements of the framework

2. In order to implement the requirements for standards and targets set out in the National Action Plan, and the IGA, the National Framework comprises:

- a) **national natural resource outcomes** - with a minimum set of matters for which regional targets are required, to progress towards these outcomes, and national guidelines and protocols for regional target-setting, monitoring and reporting; and
- b) **national standards defining best practice management** of natural resources, applying principally to legislative, policy, process and institutional systems, which when adopted will assist in the achievement of national outcomes.

3. This framework sets out consistent national directions and approaches to natural resource planning, target-setting, action and performance measurement at all levels. Details of each element follow.

National natural resource outcomes

4. The statements of desired national natural resource outcomes are listed at [Table 1](#). The salinity and water quality outcomes are intended to advance the goal of the National Action Plan, which is 'to motivate and enable regional communities to use coordinated and targeted action to:

- prevent, stabilise and reverse trends in dryland salinity affecting the sustainability of production, the conservation of biological diversity and the viability of our infrastructure;
- improve water quality and secure reliable allocations for human uses, industry and the environment.'

5. Further NRM national outcomes will be incorporated at a later stage. Specifically it is intended that biodiversity national outcomes and matters for targets be agreed for incorporation in the framework by July 2002.
6. The national outcomes are aspirational statements about desired national natural resource outcomes. They are expressed in a manner that allows an assessment of progress towards those outcomes to be made.
7. The national outcomes are largely focussed on resource condition, but also include the objective of changing land and water management systems and practices which will be integral to the achievement of improvements in resource condition.
8. The national outcomes provide direction for catchment/regional communities to identify specific timebound and measurable targets for each region, which will move natural resource condition towards the achievement of the national outcomes.

Regional targets

9. This framework specifies the minimum set of matters for which all regions must set regional targets (see Table 1). The framework does not specify the level for the targets in any region. Actual target levels will need to be determined according to each region's circumstances.
10. Targets will be set by regional bodies as a core element of integrated regional NRM plans. The plans, and the targets they contain, will be considered by the Commonwealth and States/Territories as part of the accreditation process prior to investment by governments in those plans. Targets may relate to absolute improvement in resource condition or decreases in the rate of degradation. They may be expressed as numbers or percentage changes.
11. Governments will require all regions to undertake an initial assessment of all matters identified in the minimum set of required targets, as part of their integrated NRM planning process. If there are no significant NRM issues raised with regard to a particular matter, a statement that a target is not applicable and the evidence for this conclusion should be included in the plan. The need to set a target should be considered again when the accredited plan is reviewed.
12. Targets can be characterised as aspirational targets, achievable resource condition targets, and targets for management actions.

(a) Aspirational targets

As part of the regional planning process, it may be valuable for regions to set out a vision or goals for NRM in their region, which could include long-term targets which are aspirational statements about the desired condition of their natural resources in the longer term (eg 50+ years). These goals or targets would guide regional planning, and set a context for the measurable and

achievable targets required under this framework. Examples could include: regional extent of native vegetation to be increased to 30% cover; decrease in average salinity in regional streams.

(b) Achievable resource condition targets

Within regional plans, regional bodies will be required to set specific, timebound and measurable targets, relating largely to resource condition, against the minimum set of matters for regional targets (set out in Tables 1 and 2). The timeframe for achievement of these targets is likely to be 10-20 years. **These targets must be pragmatic and achievable.** They would be developed iteratively, including through a benefit/cost analysis. Examples could include: average salinity of X ECs at specific end-of-valley site by year Y; X hectares of specific native vegetation type within region at year Y; X stream sites within region in specific river health category by year Y. Within their regional plans, regional bodies may also wish to set targets for matters that are additional to the minimum set.

(c) Management action targets

In addition, regional bodies will be required, as part of their regional plans, to set short term targets (1-5 years), relating mainly to management actions or capacity-building. These targets must contribute to progress towards the longer-term resource condition targets. The matters for these targets are not specified, as the relevant management solutions to reversing resource degradation are likely to vary substantially between regions. Examples include: X hectares of recharge zones within region to be revegetated by year Y; X km of riparian zone to be fenced and managed, X% of farms within region with whole farm plans. (See Table 3 for illustrative examples.)

13. In many cases, a reasonable period of monitoring will be required to establish baselines or trends. Hence, many regions will not be in a position to set specific achievable targets for natural resource condition at the time their regional plans are put forward for accreditation. To address this situation, for accreditation, a regional plan will need to contain:

- i. management action targets, which will result in progress towards the minimum set of matters identified for regional targets (see management action targets above);
- ii. resource condition targets which have been agreed by relevant jurisdictions, including affected jurisdictions, through other processes, including MDBC end-of-valley salinity targets;
- iii. commitment to the early establishment of monitoring systems to collect/analyse baseline and trend information, to enable setting of resource condition targets against the minimum set of matters;
- iv. proposals and a timetable for setting targets; and

- v. a commitment to have in place, within 3 years of signing of the relevant Bilateral Agreement(s), the minimum set of regional resource condition targets (see "Achievable resource condition targets above" above), or have demonstrated significant progress towards their establishment (including performance against dot points iii and iv above).

14. Some regions may have some existing resource condition targets in the minimum set of matters for targets ([Table 1](#)) that are specified differently from those in the National Framework, but which meet the requirements and priorities determined by the regions and the State. Providing the regional plan includes the requirements identified in paragraph 13 above, then the arrangements for addressing these differences and transition to the National Framework will be agreed between the Commonwealth and the relevant State.

Guidelines and protocols

15. National guidelines for setting targets, and protocols for monitoring and reporting of progress against targets will be identified to:

- promote consistency in setting and measuring progress towards targets within and across regions;
- allow aggregation and reporting on progress nationally;
- allow comparison of program achievements with national assessments of condition or trends in resource condition (eg NLWRA, SoE reporting); and
- enable feedback to regions on how they are contributing to achieving national outcomes.

16. Current guidelines and protocols (see [Table 2](#)) will be further developed and agreed in consultation with States/Territories, regions and relevant data collection and management agencies, as part of the National Framework for NRM Monitoring and Evaluation. The guidelines and protocols are expected to be agreed by mid 2002.

Regional target setting process - social and economic assessment

17. Central to the setting of resource condition targets at the regional scale will be an understanding of the social and economic consequences that may arise in the delivery of actions towards the targets. It is important that an analysis is undertaken, based on an appropriate level of social, economic as well as environmental data (see [Figure 1](#)).

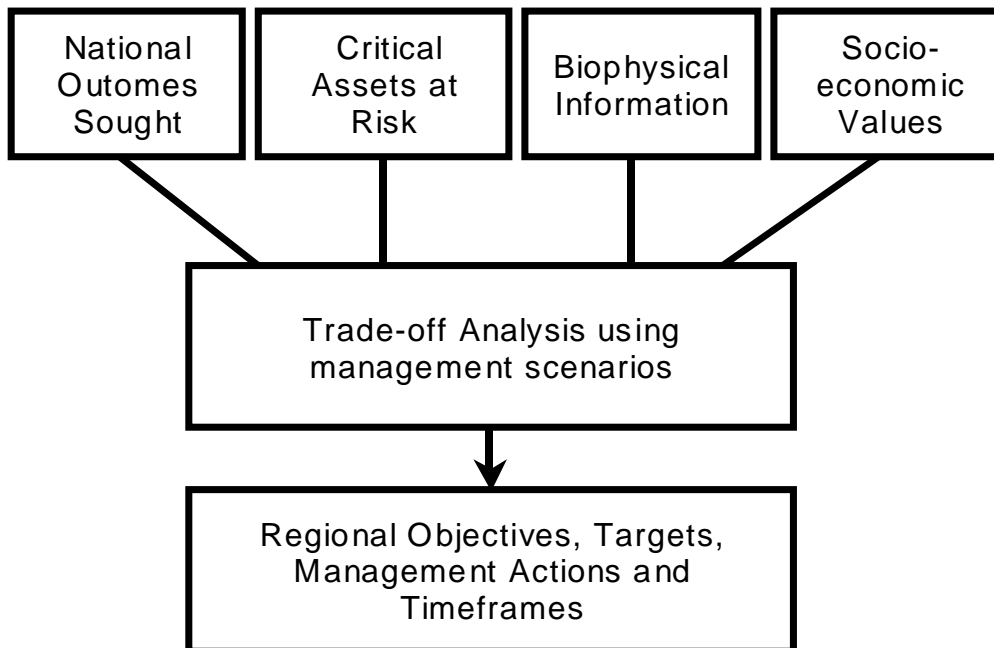


Figure 1 - Process for setting objectives and targets within regional plans and selecting a set of management actions to achieve them

18. The iterative process for setting targets should take place within the context of preparing for accreditation of an integrated NRM Plan, and should include:

- identifying the regional natural resource assets to be managed, and the risks to them;
- setting a goal or aspirational target with reference to the national natural resource outcomes being addressed by the NAP;
- collecting available resource data and identifying baseline conditions;
- identification of social and economic values requiring particular consideration;
- trade-off analysis using management scenarios. Such trade-off analyses could utilise a range of tools to develop and compare scenarios, including modelling, cost-benefit analysis, multiple-criteria analyses etc. The analyses would take account of constraints such as available funding, regional capacity, and the protection of key assets. The option of sacrificing areas where rehabilitation is not feasible or practical may need to be considered;
- setting achievable resource condition targets for the region with associated timeframes, for those matters identified in the minimum set of regional targets, and using agreed guidelines identified for each matter (see

paragraph 13 in relation to the timing of the establishment of such targets). Targets for other issues of specific relevance to the region should also be established;

- establishing shorter-term management actions which will result in progress towards each resource condition target. An iterative planning process should be used to identify “best bet” strategies that go furthest towards achieving resource condition targets given socio-economic objectives;
- assessment of the broad social and economic impacts, with particular reference to the economic production profile of the region, the broad social profile (demography, social trends etc), and any relevant ongoing structural adjustment processes;
- monitoring and evaluation.

19. If the economic or social impact of proposed interventions is sufficiently large, the regional / catchment body may decide to proceed with a broader socio-economic profiling and impact assessment to increase investor confidence and understanding of the scale and distribution of costs and benefits.

Roles and responsibilities

20. Roles and responsibilities of regional bodies, State and Territory Governments and the Commonwealth will be set out in general terms in the Accreditation Criteria, the National Action Plan Bilateral Agreements and Regional Partnership Agreements.

21. With regard to standards and targets, regional bodies are responsible for:

- undertaking a process of NRM planning and target-setting which draws on relevant environmental, social and economic information and expertise as well as wide stakeholder consultation, existing targets and target-setting processes, and includes appropriate and agreed regional solutions to NRM problems;
- incorporating, into their integrated regional NRM plans, management targets that will contribute to the achievement of natural resource condition targets and national outcomes;
- submitting a regional plan to governments for accreditation. This plan is to be accompanied by an investment strategy which supports actions to progress towards the targets;
- identifying relevant monitoring systems or establishing monitoring arrangements for both management actions/outputs and natural resource condition, using the relevant agreed guidelines and protocols;

- establishing, within the agreed timeframe, specific natural resource condition targets on the minimum set of matters in the National Framework for NRM Standards and Targets;
- reporting on progress against management and resource condition targets.

22. Governments, both Commonwealth and State/Territory, will:

- incorporate the National Framework for NRM Standards and Targets as a schedule to National Action Plan Bilateral Agreements;
- finalise national outcomes and matters for regional targets relating to further NRM issues, including stream and terrestrial biodiversity before December 2002, as agreed in the Intergovernmental Agreement on the National Action Plan for Salinity and Water Quality;
- work with regional bodies to develop integrated regional NRM plans, including targets, by providing:
 - support for capacity-building (data, information, analysis, skills, R&D) through foundation funding;
 - accreditation criteria and guidelines for plans;
 - guidelines for regional target-setting;
 - relevant advice;
- accredit regional plans which meet the accreditation criteria, and their accompanying investment strategies;
- provide funding to regions to implement agreed investment priorities;
- provide an appropriate legislative, policy and institutional framework to support regional NRM actions and solutions.

Accountability

23. Setting achievable targets for natural resource condition is a challenging task. In many instances, particularly dryland salinity, changes are only apparent over a long time, and will be influenced by factors that go beyond the actions funded by the NAP. In addition, Australia's high climatic variability makes identifying trends difficult. The assumptions made about the likely effects of management actions will, of necessity, change over time as we gain greater understanding of ecological processes.

24. Governments will need to take these uncertainties into account in assessing the achievement of regions in making progress towards resource condition targets. Associated with this, there will need to be regular review of targets, to implement an adaptive management approach. Reviews will also

enable targets to take account of improving information and scientific understanding about trends in resource condition and about ecosystem function.

25. Against this background, performance against resource condition targets will be assessed as part of the overall evaluation plan for the implementation of the NAP.

26. On the other hand, regions will be required to report progress against management action targets, and continued investment will be linked to the achievement of these targets.

Management standards

27. National standards for best practice management of natural resources are defined in the IGA as being intended to assist in the achievement of national natural resource condition outcomes. These management standards would cover the scope of issues addressed in integrated catchment/regional plans, and be capable of applying broadly to NRM systems established by governments – legislative, policy, process and institutional.

28. The following broad principles should apply at national, state, regional and local levels, to policy and planning relating to natural resources, and will provide a basis for the development of national standards defining best practice management of natural resources:

- decision-making which is integrated (ie considering environmental, social and economic considerations), comprehensive and transparent, including adequate stakeholder consultation;
- an adequate legislative basis, with appropriate compliance and enforcement mechanisms;
- accredited regional/catchment scale planning processes as a key element;
- adequate monitoring and evaluation - including agreed protocols for measurement, and regular review and external audit;
- agreed protocols for data custodianship, management and exchange;
- decision-making based on good science, economic analysis, the best available information and, where appropriate, predictive modelling;
- consistent with the principles of adaptive management and continuous improvement.

29. It should be noted that the above principles are already being incorporated in all relevant aspects of the implementation of the National Action Plan.

30. The process of identifying and developing best practice standards will be undertaken jointly by the Commonwealth, States and Territories. It has been agreed that an approach and process for development and implementation of national NRM best practice management standards be developed for consideration at the April 2002 meeting of the NRM Ministerial Council.

Table 1 - National outcomes and minimum set of regional targets

<i>National Natural Resource Outcomes</i>	<i>Minimum Set of Matters for which Regional Targets Must be Set</i>
<p>Salinity and Water Quality/Flows</p> <p>The impact of salinity on land and water resources is avoided or reduced.</p> <p>Surface and groundwater quality is maintained or enhanced.</p> <p>Surface water and groundwater is securely allocated for sustainable production purposes and to support human uses and the environment, within the sustainable capacity of the water resource.</p> <p>The integrity and diversity of aquatic and terrestrial biodiversity and ecosystems are maintained or enhanced.</p> <p>Production systems developed which enhance or maintain water quality and prevent and manage salinity.</p> <p>Land management practices in place which enhance or maintain water quality and prevent and manage salinity.</p> <p>The impact of salinity and degrading water quality on locations and systems which are critical for conservation of biodiversity, agricultural production, towns, infrastructure and cultural and social values, is avoided or minimised.</p>	<ul style="list-style-type: none"> • Area of land threatened by shallow or rising saline water tables • Extent of native vegetation • Surface water salinity • Sediment / suspended solids • Nutrients • River health • Water allocation plan • Extent of critical assets identified and protected from salinity and degrading water quality
<p>Other NRM Issues Including Biodiversity</p> <p>To be incorporated during 2002</p>	

Table 2 - Salinity and water quality/flows standards and targets-current guidelines

<i>Matter for which regional target should be set</i>	<i>Current Guidelines (which could be drawn on to identify or develop consistent national guidelines on procedures for assessing resource condition and setting regionally relevant targets, and monitoring progress against them)</i>	<i>Potential Information / data sources</i>
Area of land threatened by shallow or rising saline water tables	BRS/NLWRA/NDSP Evaluation Framework for Dryland Salinity	<ul style="list-style-type: none"> - NLWRA data - Regional, State and MDBC groundwater data and modelling - Salt risk mapping – airborne geophysics, hydrogeology, soil/regolith analysis, BRS, AGSO, CRC - NLWRA Dryland Salinity assessment and Water Resources Assessment
Extent of native vegetation	NLWRA – National Vegetation Information System and land use mapping	<ul style="list-style-type: none"> - National Vegetation Information System - land use mapping - National Forest Inventory - State and regional vegetation and clearing data - National Carbon Accounting System (Land Cover Change, Biomass Projects)
Surface water salinity	National Water Quality Management Strategy (NWQMS) Guidelines NLWRA Water Resources Assessment MDBC and State Salinity Strategies, MDB ICM Strategy	<ul style="list-style-type: none"> - NLWRA - MDBC - Regional and State data
Sediment / suspended solids	NWQMS Guidelines NLWRA - Australian Agricultural Assessment 2001 (in press)	<ul style="list-style-type: none"> - MDBC data - Regional and State data - GBRMPA data - NLWRA
Nutrients	NWQMS Guidelines	<ul style="list-style-type: none"> - NLWRA - State and regional data
River health	Australian River Assessment Scheme (AusRivAs) NLWRA Assessment of River Condition (under development, due early next year)	<ul style="list-style-type: none"> - AusrivAs data - regional and state data
Water allocation plan	COAG Water Reforms	<ul style="list-style-type: none"> -regional and State data - MDBC

Extent of critical assets identified and protected from salinity and degrading water quality	<p>NWQMS</p> <p>NLWRA Dryland Salinity Assessment</p> <p>Montreal process forest criteria and indicators</p> <p>NCPISA indicators</p> <p>NLWRA - Australians and Natural Resource Management (in press)</p>	<ul style="list-style-type: none"> - NLWRA - EPBC Act database - identification of matters of national environmental significance - directories of wetlands - Forests data - AHC database - natural sites - ABARE - BRS - ABS - State, regional and local government data - MDBC
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Table 3 - Illustrative targets relating to management actions

<i>Possible matter for which regional target could be set</i>	<i>Guidelines</i>	<i>Information / data sources</i>
Area revegetated	ANZECC SOE core indicator BD13 - Area revegetated by species or genus, in hectares per annum, disaggregated into areas revegetated using local vegetation or other vegetation	<ul style="list-style-type: none"> - NHT data - ABS Ag Census/surveys - regional and State data - National Carbon Accounting System - NLWRA land use datasets
Land cover – perennials	ANZECC SoE core indicator IW 3 - Extent of deep-rooted vegetation cover by catchment	<ul style="list-style-type: none"> - regional and State data - NLWRA land use datasets
Streambank or riparian zone protection	<p>ANZECC SoE core indicator IW12 - vegetated streambank - the % of total streamlength with riparian vegetation per drainage division</p> <p>Guidelines for Ecologically Sustainable Management of Rivers and Riparian Vegetation</p>	<ul style="list-style-type: none"> - regional and State data - ABS data
Capacity to undertake integrated planning and implementation based on level of understanding of landscape - data, knowledge, information	NRM Accreditation Guidelines	<ul style="list-style-type: none"> - regional data
Uptake of best practice management of natural resources	NCPISA indicators	<ul style="list-style-type: none"> - ABS data - ABARE data - regional industry data - PMP data

Appendix 3: The National Water Quality Management Strategy

Governments agreed to support ANZECC and ARMCANZ in developing the National Water Quality Management Strategy, through the adoption of market-based and regulatory measures, water quality monitoring, catchment management policies, town wastewater and sewage disposal, and community consultation and awareness.

Governments are to demonstrate a high level of political commitment and a jurisdictional response to ongoing implementation of the principles contained in the National Water Quality Management Strategy guidelines, including on-the-ground action to achieving the policy objectives. (clause 8b and d)

Background

The National Water Quality Management Strategy (NWQMS) aims to deliver a nationally consistent approach to water quality management of a high standard. Governments have developed and are implementing the NWQMS in response to growing community concern about the condition of the nation's water. The policy objective is 'to achieve sustainable use of the nation's water resources by protecting and enhancing their quality while maintaining economic and social development.'

Water quality management should occur at the State and Territory level using water quality planning and policy instruments to set water quality goals and objectives that are in line with agreed national guidelines. The NWQMS goals and objectives form the basis of governments' management strategies and actions. The NWQMS guideline documents are listed in Box A3.1.

The purpose of this appendix is to provide guidance on how the NWQMS commitment can be met. The appendix begins by revisiting the 2001 assessment framework, which outlined the expectations agreed to by the States and Territories and the Commonwealth in February 2001. The appendix then considers the practical measures that need to be addressed by 2003 to meet water reform obligations.

The national guidelines set shared national objectives but provide governments flexibility in responding to the circumstances within their jurisdictions. As a result, measures not specified in the NWQMS documents may be consistent with the CoAG water reform objectives. In particular, developments in water quality policy and practices which augment or enhance the intent of CoAG in agreeing to the NWQMS are likely to meet water reform obligations.

The NCC 2001 assessment framework

In the 2001 NCP water assessment framework, the Council put forward the following approach to assessing governments' compliance with the NWQMS commitment.

- Each government should be able to demonstrate a high level of political commitment and a jurisdictional response to ongoing implementation of the principles in the NWQMS guidelines, including to achieving the policy objectives. Such commitment should include the development of practical on-the-ground action, which might involve the use of legislation, policy instruments, programs or plans. These should contain provisions which are consistent with the guidelines, and scope for review.
- Each government should have a publicly stated commitment to implementing the NWQMS principles and have implemented the scientific framework outlined in the Australian Water Quality Guidelines for Fresh and Marine Waters (ANZECC 1992). There should be an appropriate Statewide approach to water quality management.
- Each government should have in place a water reform program that integrates water quality and quantity management requirements in land-use planning. In relation to water quality, this program should target the attainment of the ambient environmental quality objectives set in consultation with the community.
- All relevant legislative, regulatory and policy measures to protect water quality should, where practicable, be consistent with the Implementation Guidelines for the NWQMS (ARMCANZ and ANZECC 1998). In particular, they should include measures to promote:
 - integrated resource management;
 - identification of environmental values and associated water quality objectives; and
 - catchment, coastal and groundwater management planning.

2003 implementation of the NWQMS

The Commonwealth, States and Territories have agreed to the NWQMS as the basis for water quality management in Australia. The process for water quality management is described in the following NWQMS documents:

- *Volume 3 - Implementation Guidelines (1998)*;
- *Volume 4 - Australian and New Zealand Guidelines for Fresh and Marine Water Quality (2000)*; and

- *Volume 7 - Australian Guidelines for Water Quality Monitoring and Reporting (2000).*

Bearing in mind the flexibility available under the NWQMS, the following key elements need to be implemented for compliance with water reform obligations [see *Volume 3 - Implementation Guidelines (1998)*].

- a) Actively consult and engage the community in setting environmental values of water, water quality objectives and in undertaking management actions including water quality monitoring.
- b) Identify and report the environmental values (aquatic ecosystems, primary industries, recreational, aesthetics and drinking water) of water resources (freshwater, groundwater, marine and estuarine waters). These environmental values should be reported according to the scale at which they have been determined (for example, the State, regional, or local level) through public consultation processes.

The processes and mechanisms to identify and amend environmental values should be detailed and the extent to which they have been implemented should be described.

- c) Identify and report the water quality and quantity issues that threaten those environmental values. The mechanisms or processes for identifying and reporting water quality and quantity issues in the context of identified environmental values should be detailed.
- d) Identify and implement water quality objectives and environmental water provisions to protect the declared environmental values. Water quality and quantity issues are intrinsically linked. Many water quality problems are caused or exacerbated by altered flow regimes, and so an integrated approach to management is required.
- e) Identify and implement management actions to achieve water quality objectives.

The extent to which management actions have been implemented to attain and protect environmental values, water quality objectives and environmental flow provisions should be described. Examples of such management actions include protocols for environmental impact assessment, environmental protection policies, load-based licensing, codes of practices, pollution off-set programs and catchment management plans and policies that demonstrate specific management actions are being implemented.

The specified management actions should be described together with their status (for example, date of gazettal, date of draft/review).

- f) Design and implement monitoring programs to review and refine water quality objectives, identify the sources of pollution and evaluate the effectiveness of management actions in meeting water quality objectives.

The program should include the role of community water quality monitoring (for example, Waterwatch).

- g) Public processes for periodic independent auditing and reporting on the effectiveness of actions to achieve water quality objectives and protect environmental values.
- h) Systematic/mainstream application of relevant national guidelines (for example, stormwater, sewerage systems).

Areas covered by implementing the NWQMS

The States and Territories should be able to demonstrate how the above elements of the NWQMS have been adopted and are being systematically and effectively implemented in the following areas.

Regional natural resource management

Effective water resource management requires implementation of the key elements of the NWQMS in regional plans. Governments are now preparing regional plans under the National Action Plan for Salinity and Water Quality and the extension of the Natural Heritage Trust.

Estuarine and coastal management plans and State water plans should also be consistent with the key elements of the NWQMS.

Planning

Other broad policies such as for State planning, secondary industry, wastewater treatment and discharge, drinking water, urban development, State infrastructure, recreation and tourism, agriculture and forestry and the practices by the corresponding industry sectors should be consistent with the NWQMS to help ensure that environmental values and water quality objectives are not compromised.

Likewise, local government operations that may affect water quality should ensure that the environmental values and water quality objectives are not compromised.

Statutory instruments

Environmental values, water quality objectives and management actions can be formally recognised in State environmental protection policies and implemented through both environmental and water resource legislation.

State and local government codes, policies, planning, management and legislation should be consistent with the attainment of identified water quality objectives and flow provisions.

Licensing conditions set by state Environment Protection Authorities and water resource agencies should be consistent with protection of the environmental values of water.

Quality and quantity issues

There are intrinsic links between the protection of environmental values and water quality and quantity. Management actions to provide water for ecosystems can positively influence some aspects of water quality. The extent to which a State/Territory has examined and implemented management actions such as water pricing, reuse efficiency or set water use efficiency targets to meet water quality and quantity requirements is a relevant factor.

Environmental impact assessment

Any State environmental impact assessments should have guidelines for proponents that reflect the NWQMS framework and associated guidelines and/or related policy advances as a basis for assessing impacts on water quality and setting conditions for projects to proceed. This should especially apply to water resource development and significant land use proposals with the potential to degrade water quality.

Box 3.1: The NWQMS Guidelines

<i>Policies and Process for Water Quality Management</i>	<i>Release date</i>
Paper no. 1. Water Quality Management — An Outline of the Policies	1994
Paper no. 2. Policies and Principles — A Reference Document	1994
Paper no. 3. Implementation Guidelines	1998
<i>Water Quality Benchmarks</i>	
Paper no. 4. Australian and New Zealand Guidelines for Fresh and Marine Water Quality	2001
Paper no. 4a. An Introduction to the Australian and New Zealand Guidelines for Fresh and Marine Water Quality ^S	2001
Paper no. 5. Australian Drinking Water Guidelines — Summary	1996
Paper no. 6. Australian Drinking Water Guidelines	1996
Paper no. 7. Australian Guidelines for Water Quality Monitoring and Reporting	2001
Paper no. 7a. Australian Guidelines for Water Quality Monitoring and Reporting — Summary ^S	2001
<i>Groundwater Management</i>	
Paper no. 8. Guidelines for Groundwater Protection	1995
<i>Guidelines for Diffuse and Point Sources*</i>	
Paper no. 9. Rural Land Uses and Water Quality — A Community Resource Document	2000
Paper no. 10. Guidelines for Urban Stormwater Management	2000
Paper no. 11. Guidelines for Sewerage Systems — Effluent Management	1997
Paper no. 12. Guidelines for Sewerage Systems — Acceptance of Trade Waste (Industrial Waste)	1994
Paper no. 13. Guidelines for Sewerage Systems — Sludge (Biosolids) Management [#]	
Paper no. 14. Guidelines for Sewerage Systems — Use of Reclaimed Water	2000
Paper no. 15. Guidelines for Sewerage Systems — Sewerage System Overflows [#]	
Paper no. 16a. Effluent Management Guidelines for Dairy Sheds	1999
Paper no. 16b. Effluent Management Guidelines for Dairy Processing Plants	1999
Paper no. 17. Effluent Management Guidelines for Intensive Piggeries	1999
Paper no. 18. Effluent Management Guidelines for Aqueous Wool Scouring and Carbonising	1999
Paper no. 19. Effluent Management Guidelines for Tanning and Related Industries in Australia	1999
Paper no. 20. Effluent Management Guidelines for Australian Wineries and Distilleries	1998

*The guidelines for diffuse and point sources are national guidelines that aim to ensure high levels of environmental protection that are broadly consistent across Australia.

[#] Not yet released in final form

^S Document is available with its main document, but not as a separate item.

Appendix 4: Water legislation for NCP review

The following abbreviations are used in the 'Agency' column of the water legislation review timetable.

AIS	Department of Administration and Information Services (SA)
CM	Chief Minister's Department (ACT)
DIER	Department of Infrastructure, Energy and Resources (Tas)
DIPE	Department of Infrastructure, Planning and Environment (NT)
DPIWE	Department of Primary Industries, water & Environment (Tas)
DUS	Department of Urban Services (ACT)
EH	Department of Environment and Heritage (SA)
EPA	Environment Protection Agency (Vic)
FT	Forestry Tasmania (Tas)
H	Department of Health (Qld, WA)
HEC	Hydroelectric Commission (Tas)
LA	Department of Land Administration (WA)
LG&P	Department of Local Government & Planning (Qld)
NRE	Department of Natural Resources and Environment (Vic)
NR&M	Department of Natural Resources and Mines (Qld)
OWR	Office of Water Regulation (WA)
PAWA	Power and Water Authority (NT)
T&F	Department of Treasury & Finance (SA)
WR	Department of Water Resources (SA)
WRC	Water and Rivers Commission (WA)

Table 4.1: Water legislation review and reform status (Updated to April 2002)

New South Wales

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Balranald Irrigation Act 1902</i>				Act repealed by the Water Management Act 2000.
<i>Crown Lands Amendment Act 1932</i>				Repealed by the Water Management Act 2000.
<i>Drainage Act 1939</i>				Act repealed by the Water Management Act 2000.
<i>Fish River Water Supply Administration Act 1945</i>				Act repealed by the Water Management Act 2000.
<i>Glennies Creek Dam Act 1979</i>				Act repealed by the Water Management Act 2000.
<i>Hunter Valley Flood Mitigation Act 1956</i>				Act repealed by the Water Management Act 2000.
<i>Irrigation Act 1912 (and as amended)</i>				Act repealed by the Water Management Act 2000.
<i>Irrigation and Water (Amendment) Act 1943</i>				Act repealed by the Water Management Act 2000.
<i>Irrigation Corporations Act 1944</i>				Act repealed by the Water Management Act 2000.
<i>Irrigation, Water and Rivers and Foreshores Improvement (Amendment) Act 1955</i>				Act repealed by the Water Management Act 2000.

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Miscellaneous Acts (Water Administration) Amendment Act 1986</i>				Act repealed by the Water Management Act 2000.
<i>Private Irrigation Districts Act 1973</i>				Act repealed by the Water Management Act 2000.
<i>Rivers and Foreshores Improvement Act 1948</i>				Act repealed by the Water Management Act 2000.
<i>Water (Soil Conservation) Amendment Act 1986</i>				Act repealed by the Water Management Act 2000.
<i>Water Act 1912 (and as amended)</i>				Act repealed by the Water Management Act 2000.
<i>Water Administration (Transfer of Functions) Act 1986</i>				Act repealed by the Water Management Act 2000.
<i>Water Administration Act 1986</i>				Act repealed by the Water Management Act 2000.
<i>Water Management Act 2000</i>			Review completed.	The Water Management Act 2000 was passed in December 2000, and replaces various pieces of water legislation.
<i>Water Supply Authorities Act 1987</i>				Act repealed by the Water Management Act 2000.

Victoria

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Catchment & Land Protection Act 1994</i>	NRE		Act to be removed from LRP. Act does not restrict competition and it ensures competition in relevant markets is sustainable in the long term.	An integrated Pest Management Strategy is being developed by Department of Natural Resources and Environment (NRE) in consultation with key stakeholders as part of the stated Government policy to establish a Rivers and Catchment Restoration program. The Pest Management Strategy will provide clarification in relation to the discretionary powers outlined in the Act. This will be completed in 2001. The provisions of Part 7 of the Act, which relate to extraction of material have been superseded by the Extractive Industries Development Act 1995 and will be repealed when the Act is next amended.
<i>Murray Darling Basin Act 1993 and other legislation relating to interstate sharing and management of resources</i>	NRE		Removed from the LRP following completion of review by SA which found no restrictions.	
<i>Pollution of Waters by Oil & Noxious Substances Act 1986</i>	NRE	Act assessed as not restricting competition.	Review not required.	

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Water Act 1989, Water Industry Act 1994, Melbourne & Metropolitan Board of Works Act 1958, Melbourne Water Corporation Act 1992, Rain Making Control Act 1967</i>	NRE		Major public review by Marsden Jacob consultants completed June 2001.	<p>Government response released June 2002. Legislation to transfer economic regulation of the water industry to the Essential Services Commission (ESC) from 1 January 2003 scheduled for the Spring session 2002. Vetted competition to be introduced in the first half of 2003. A review of the need for a third party access regime for water will occur 12 months after the introduction of the ESC. Legislation proposals to allow leasing arrangements of water entitlements by the end of 2002. A review of the differential rates of return on bulk supplies for regional urban and rural users will occur in 2003 before ESC is established.</p> <p>Legislation to amend by-law making powers in the Water Act 1989 (s147) and the Melbourne and Metropolitan Board of Works Act 1958 to separate the roles of infrastructure provision and service delivery proposed for Autumn 2003.</p> <p>Work to develop a single comprehensive legislative framework for Victoria's water businesses to occur in 2003.</p>
<i>Water Industry Act 1994 (Part 4)</i>	NRE	Licensing arrangements for use of jetties (S135A) and powers to levy rates on households in the metropolis.	Review underway. Issues paper publicly released. Call for submissions. Targeted consultation with key stakeholders.	

Queensland

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Canals Act 1958 and Regulation 1992</i>	EPA	Legislation relates to the construction, maintenance and use of canals, including a requirement for approval before construction commences. Quantitative elements, quality/technical standards, natural resources permits/licences.	Review completed in November 1998. Review report made public. Review concluded that retaining restrictions was justified as being in the public benefit.	Provisions subjected to NCP review retained without change.
<i>Fluoridation of Public Water Supplies Act 1963 and Regulation 1964</i>	H	Prescription of a particular brand of testing equipment.	Decision by Department to repeal the restrictive provisions without formal NCP review.	Reformed without review. Anticompetitive provisions repealed in late 1997.
<i>Gladstone Water Board Act 1984</i>	NR&M	Statutory monopoly.	Departmental review completed February 2000. Urban Water Board legislation, listed jointly with Water Resources legislation, reviewed separately. Decision taken to repeal Act in the development of Water Act 2000.	Legislative restrictions removed with commencement of the Water Act 2000.
<i>Metropolitan Water Supply and Sewerage Act 1909</i>	NR&M	Nature of restrictions are statutory monopoly, licensing/registration and business conduct. Legislation prescribes requirements relating to water supply plumbing, sanitary plumbing and drainage, sewer installation and the management of water supply, sewerage and drainage utilities. Licensing requirements relate to plumbing and drainage work. Standard Sewerage and Water Supply Laws are administered by local governments and provide for the control/supply of water in the Brisbane metro area as the sole responsibility of Brisbane City Council and prescribes the purposes domestic water can be used for. Provisions now largely taken by the City of Brisbane Act ordinances.	Review of matters under the Department of Natural Resources and Mines' control completed in February 2000. Those elements of CoAG water reform that required amendment to this Act were incorporated into the Water Act 2000. Other minor provisions potentially of a restrictive nature, which are being contemplated for inclusion in the Water Act 2000, relate to on-site sewerage, licensing of personnel working on on-site systems (part of the plumbers licensing process) and water and sewerage infrastructure standards. These are being examined in conjunction with the review of the Sewerage and Water Supply Act 1949.	The Metropolitan Water Supply and Sewerage Act is proposed to be repealed. Any amendments to the Sewerage and Water Supply Act as a result of the review expected to be introduced by first half of 2002.

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Sewerage and Water Supply Act 1949 and Regulation 1987 and Standard Water and Sewerage Laws</i>	LGP	Plumbers and drainers: licensing, registration, entry requirements (qualifications and practical experience), the reservation of practice, and disciplinary processes. Also provides the head of power for the making of plumbing and drainage standards.	Act administered jointly with Department of Natural Resources and Mines (DNRM). DNRM's NCP issues substantively dealt with in the Water Act 2000. NCP matters related to that part of the Act administered by Department of Local Government and Planning are being reviewed as part of current proposals to integrate plumbing approvals and appeal processes in the Integrated Planning Act. Review underway, conducted by independent consultants in conjunction with the review of the Building Act to be completed the first half of 2002.	
<i>South East Queensland Water Board Act 1979 and Townsville/Thuringowa Water Supply Board Act 1987</i>	NR&M	Statutory monopoly.	Review completed.	Part of broader CoAG water reform agenda. New institutional reforms for each board led to repeal of existing Act (South East Queensland Water Board Act has been repealed). The Townsville/Thuringowa Water Supply Board Act was repealed in June 2001 and a commercialised TTWSB established under the Local Government Act 1993.
<i>Water Resources Act 1989, Water Resources (Watercourse Protect) Regulations 1993, Water Resources (Rates and Charges) Regulations 1992, and Natural Resources Amendment Act 1996</i>	NR&M	Licensing or registration, pricing restrictions and business conduct.	Review completed in February 2000. Review completed as part of broader CoAG water reform agenda. Discussion paper on modules for new legislation were progressively released for discussion during 1999.	The Water Act 2000, giving effect to water reforms, commenced in part on 13 September 2000. The remainder of the Water Act will commence in the first quarter of 2002.

Western Australia

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
Carnarvon Irrigation District By-laws	WRC	Differential treatment.	Review by Water and Rivers Commission completed in January 2000. Minor restrictions justified on public welfare grounds to maintain security of supply and safeguard infrastructure.	No action proposed. Proposals under way to transfer management of irrigation scheme to local control.
<i>Country Areas Water Supply (Clearing Licence) Regulations 1981</i>	OWR	Controls over land clearing.	Review by Office of Water Regulation completed in August 2000. No action proposed. Controls justified on wider ecological and public interest grounds.	The Government endorsed the review recommendations 18 December 2000. Act retained without reform.
<i>Country Areas Water Supply Act 1947</i>	OWR	Licensing, market power by Water Corporation.	Review by Office of Water Regulation completed in September 1999.	Amendments to the Act will be progressed via the Acts Amendment and Repeal (Competition Policy) Bill 2002.
<i>Country Areas Water Supply By-laws 1957</i>	OWR	Market power.	Review completed.	Government endorsed the findings of the review in December 1999. Amendments are expected. The Office of Water Regulation and the Water Corporation are finalising the amendments.
<i>Country Towns Sewerage Act 1948 and By-laws</i>	OWR	Licensing, registration, entry requirements (competency or six years experience and qualification, fit and proper), the reservation of practice (either licensed or under licensed supervision), disciplinary processes.	Review of Water Services Coordination Amendment Act 1999 completed, recommending retaining restrictions to prevent unlicensed persons from performing plumbing work and maintaining the power of the Board to set licence conditions. Review endorsed by the Government.	Amendments to the Act will be progressed via the Acts Amendment and Repeal (Competition Policy) Bill 2002. Plumbers licensing provisions transferred to the Water Services Coordination (Plumbers Licensing) Regulations in 2000. The transfer also shifted responsibility for plumbers licensing from Water Corporation to new Plumbers Licensing Board. By-laws are to be amended.

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Harvey, Waroona Collie River Irrigation Districts By-laws 1975</i>	WRC	Monopoly powers to Water Corporation. Differential rights to irrigators.	Review by Water and Rivers Commission completed in January 2000. No action proposed - minor restrictions justified on public welfare grounds to maintain security of supply and safeguard laws proposed to reflect current management practices.	The Government endorsed the review recommendations on 14 August 2000. Act retained without reform.
<i>Health (Treatment of Sewerage and Disposal of Effluent and Liquid Waste) Regulations 1993</i>	H	Licensing.	Review deferred until June 2000.	Replacement legislation to be developed which will obviate the need for review.
<i>Irrigation (Dunham River) Agreement Act 1968</i>	LA	Differential rights.		Act to be repealed pending enactment of the Maritime Bill.
<i>Land Drainage Act 1925</i>	OWR	Market power.	Review by Office of Water Regulation completed in September 1999. Minor amendments to Act proposed to ensure consistency of approach with competitive licensing regime and other related Acts.	The Government endorsed the review recommendations on 20 December 1999. The Act is to be amended via the Acts Amendment and repeal (Competition Policy) Bill 2002.
<i>Land Drainage Bylaws 1986</i>	OWR	Market power.	Review by Office of Water Regulation completed in December 1999.	The Government endorsed the review recommendations on 20 December 1999. The Water Corporation in consultation with the Office of Water Regulation is currently developing drafting instructions for amendments.
<i>Land Drainage Regulations 1978</i>	OWR	Market power.	Review by Office of Water Regulation completed in 1999.	Amending Regulations to be consistent with the recommendation in the main review to deal with all charges through the Water Agencies (Powers) Act 1984.

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Land Drainage (Rating Grades) Regulations 1986</i>	OWR	<p>Exemption from paying rates for certain activities, subject to those exemptions on specific land uses that are imposed for social reasons, continuing to be subject to the formal and transparent community service obligation payment.</p> <p>Provisions whereby land is subject to water supply, sewerage, drainage and irrigation charges even if it is not actually connected to the system and where owners or occupiers do not actually use the system.</p> <p>Exemption from paying charges for pensioners. Water Agencies (Entry Warrant) Regulations.</p>	<p>Review completed. The legislative provisions were assessed as being in the public interest for reasons of social equity and good infrastructure planning. Recommended retaining the above restrictions.</p> <p>Other "housekeeping" recommendations included:</p> <ul style="list-style-type: none"> • amending the grading system in the Land Drainage (Rating Grades) Regulations to be consistent with recommendation in the main review to deal with all charges through the Water Agencies (Powers) Act 1984; • amending the Land Drainage Regulations to be consistent with recommendation in the main review to deal with all charges through the Water Agencies (Powers) Act 1984; and • Amending the regulations of the Water Agencies (Infringements) Regulations 1994 to be consistent with the Water Agencies (Powers) Act 1984 allowing the Water and Rivers Commission the ability to delegate authority for issuing infringements. 	The Government endorsed the review recommendations. The Water Corporation in consultation with the Office of Water Regulation is currently developing drafting instructions for the amendments.
<i>Metropolitan Water Authority (Miscellaneous) By-laws 1982</i>	WRC	Differential treatment.	Reviewed by Water and Rivers Commission completed. There were no restrictions on competition identified in the by-laws.	Act retained without reform.
<i>Metropolitan Water Authority Act 1982</i>	WRC	Market power given to Water Corporation.	Review by Water and Rivers Commission completed. There were no restrictions on competition identified in the legislation.	The Government endorsed the review recommendations on 14 August 2000. Act retained without reform.

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Metropolitan Water Supply, Sewerage and Drainage By-laws 1981</i>	WRC	Licensing - as for Country Towns Sewerage Act 1948.	Review by Office of Water Regulation completed.	Plumbers licensing provisions transferred to the Water Services Coordination (Plumbers Licensing) Regulations in 2000. Transfer also shifted responsibility for plumbers licensing from Water Corporation to new Plumbers Licensing Board. Further amendments expected.
<i>Metropolitan Water Supply, Sewerage and Drainage Act 1909</i>	OWR	Market power, and differential treatment for licensing.	Review by OWR completed in September 1999.	The Government endorsed the review recommendations on 20 December 1999. Drafting instructions to include the recommended amendments in the proposed Acts Amendment (Competition Policy) Bill 2002 have been forwarded to Parliamentary Counsel.
<i>Ord Irrigation District By-laws</i>	WRC	Market power to Water Corporation. Differential rights to irrigators within the area.	Review by Water and Rivers Commission completed in January 2000. Review proposed no action as the minor restrictions are justified on public welfare grounds to maintain security of supply and safeguard infrastructure.	The Government endorsed the review recommendations on 14 August 2000. Amendments to By-laws proposed to reflect devolved ownership and control of the scheme.
<i>Preston Valley Irrigation District By-laws</i>	WRC	Differential treatment.	Review by Water and Rivers Commission completed in January 2000. Review proposed retaining the restrictions on competition found to be in the public interest and to amend the by-laws to reflect current management practices since they do not reflect the responsibilities of the Water Corporation and the grower cooperatives since the devolution of irrigation management.	The Government endorsed the review recommendations on 14 August 2000. The Water Corporation is drafting amendments in consultation with the Water and Rivers Commission.

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Rights in Water and Irrigation (Construction and Alteration of Wells) Regulations 1963</i>	WRC	Licensing restrictions. The Waters and Rivers Commission is given sole rights to fit, repair and test water meters.	Review by Water and Rivers Commission completed in January 2000.	The Government endorsed the review recommendations on 14 August 2000. Amending the regulations to remove the Water and Rivers Commission's exclusive right to the fitting, repair and testing of water meters are being progressed.
<i>Rights in Water and Irrigation Act 1914 and Regulations</i>	WRC	Licensing of rights to take water. Monopoly powers of Water Corporation.	Review by Water and Rivers Commission completed.	The Government endorsed the review recommendation on 20 December 1999. Drafting instructions to include the recommended amendments in the proposed Acts Amendment (Competition Policy) Bill 2002 have been forwarded to Parliamentary Counsel.
<i>Treatment of Sewerage and Disposal of Effluent and Liquid Waste Regulations</i>	H	Licensing.	Review underway. Consultation involved public seminar and invitation to make submission.	
<i>Water (Dixvale Area and Yanmah Area) Licensing Regulations 1974</i>	WRC	Differential treatment of a small group of irrigators.	Review by Water and Rivers Commission completed in January 2000.	Proposal to repeal regulations. The Government endorsed the review recommendations.
<i>Water Agencies (Charges) Bylaws 1987</i>	OWR	Differential treatment of Crown lands.	Review by Office of Water Regulation completed in September 1999.	The Government endorsed the review recommendations for no change.
<i>Water Agencies (Entry Warrants) Regulations 1985</i>	OWR		Review by Office of Water Regulation completed in September 1999.	The Government endorsed the review recommendations for no change.

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Water Agencies (Infringements) Regulations 1994</i>	OWR	Market power to Water Corporation.	Review by Office of Water Regulation completed in September 1999.	Minor amendments proposed to ensure consistency of approach with competitive licensing regime and other related Acts. The Government endorsed the review recommendation to modify regulation 5 (officers issuing infringements to make it consistent with recommendations from the review of the Water Agencies Powers) Act 1984. The regulation will be amended once the water Agencies (Powers) Act 1984 is amended via the Acts Amendment and Repeal (Competition Policy) Bill 2002.
<i>Water Agencies (Powers) Act 1984</i>	OWR	Market power to Water Corporation.	Review by Office of Water Regulation completed in September 1999.	The Government endorsed the review recommendations. To be implemented via the Acts Amendment and Repeal (Competition Policy) Bill 2002.
<i>Water Agencies Restructure (Transitional and Consequential Provisions) Act 1995</i>	OWR		Review by Office of Water Regulation completed in August 2000. No restrictions on competition could be identified in the Act.	Act retained without reform.
<i>Water and Rivers Commission Act 1995</i>	WRC	The Act provides necessary governmental powers for effective natural resource management.	Review by Water and Rivers Commission completed in January 2000. No changes recommended.	Review endorsed by Government in August 2000. No change proposed.

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Water Boards Act 1904 and By-laws</i>	OWR	Licensing. Restricts powers to supply of water and within defined areas.	Review by Office of Water Regulation completed in May 1999.	Amendment to Act proposed to allow agencies to provide full suite of water services and freedom to compete for licences on equal terms with Water Corporation. Revised By-laws will meet gatekeeper requirements. 'Umbrella' legislation is being developed to incorporate the agreed NCP reforms and the Government's desired corporate governance arrangements.
<i>Water Corporation Act 1995</i>	OWR		Review by Office of Water Regulation completed in May 1999.	Act retained without reform.
<i>Water Services Coordination Act 1995 - part 1 of 2</i>	OWR	Complex licensing regime inhibits competitive outcomes.	Review by Office of Water Regulation completed in July 1999. Amendments proposed which recommend adoption of simpler & more pro-competitive regime. Amendments provide for competitive neutrality in application of relevant Acts awaiting presentation to Parliament.	Recommendations are being implemented via the Acts Amendment and Repeal (Competition Policy) Bill 2002. 5 year review under s62 commenced October 2002. Review to acknowledge the recommendations of the NCP review of the WSC Act and recommendations on all other water industry legislation. Review to be completed by March 2003.
<i>Water Services Coordination Act 1995 - part 2 of 2: water Services Coordination (Plumbers Licensing) Regulations 2000</i>	OWR	Plumbers- licensing, registration, entry requirements (competency of six years experience and qualification, fit and proper, reservation of practice (either licensed or under supervision of licensed), disciplinary processes.	Review completed. The review recommended retaining restrictions to prevent unlicensed persons performing plumbing work and maintain the power of the Board to set licence conditions.	The Government endorsed the review and no change was proposed.
<i>Water Supply, Sewerage and Drainage Act 1912</i>	OWR	Few restrictions in remaining sections related to ownership of assets.	Review by Office of Water Regulation completed in May 1998.	Act retained without reform.

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Waterways Conservation Act 1976 and Regulations</i>	WRC	Licensing system for disposal of waste in waterways.	Review by Water and Rivers Commission completed in January 2000. Review recommended no changes given minor nature of Act. Major further review proposed to achieve rationalisation of functions and operation between this Act and EPA Act.	The Government endorsed the review recommendations on 20 December 1999. Act retained without reform.

South Australia

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Catchment Water Management Act 1995</i>	EH	Restricts market conduct.	Review completed.	Act repealed by the Water Resources Act 1997, and the Catchment Water Management Act 1995.
<i>Groundwater (Border Agreement) Act 1985</i>	WR	Restricts market conduct.	Review completed in June 2000. No reforms recommended.	
<i>Irrigation (Land Tenure) Act 1930</i>	EH	Restricts market conduct.	Review, in conjunction with associated legislation, completed in December 1999. No major issues identified. Recommended that legislation be updated and consolidated.	Legislation to be repealed in 2002.
<i>Irrigation Act 1994</i>	WR	Restricts market conduct.	Review completed in August 2000. Minor legislative change recommended. Review identified a need for a comprehensive review of the legislation and its objectives.	The Government agreed that the minor change should proceed.
<i>Loans for Fencing and Water Piping Act 1938</i>	T&F	Restricts market conduct.	Review completed in 1997.	Act expected to be repealed when last repayments made in 2000.

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Murray Darling Basin Act 1993</i>	WR	Restricts market conduct.	Review completed in 1999. No reforms recommended.	Agreement in place to provide equitable sharing of the resource. Agreement regarded as preventing restrictions. Review noted by Murray Darling Basin Commission and presented to the Minister.
<i>Renmark Irrigation Trust Act 1936</i>	WR	Restricts market conduct.	Review completed in August 2000. Minor legislative change recommended removing obsolete and inconsistent sections. Will prompt more fundamental review.	The Government accepted the review recommendations.
<i>River Murray Waters Agreement Supplemental Agreement Act 1963</i>	WR	Restricts market conduct.	Review completed in September 1998. Review recommended repeal of the Act.	Effectively replaced by the Murray Darling Basin Act 1993.
<i>Sewerage Act 1929</i>	AIS	Barriers to market entry and restricts market conduct; product or service standards.	Review, in conjunction with review of the South Australia Water Corporation Act 1994 and the Waterworks Act 1932, completed in November 2000.	The Government is considering the review recommendations.
<i>South Australian Water Corporation Act 1994</i>	AIS	Barriers to market entry, and restricts market conduct.	Review, in conjunction with review of the Sewerage Act 1929 and the Waterworks Act 1932, completed in November 2000.	The Government is considering the review recommendations.
<i>South Eastern Water Conservation and Drainage Act 1992</i>	WR	Restricts market conduct.	Review completed in July 1999. No reforms recommended.	
<i>Water Conservation Act 1936</i>	WR	Barriers to market entry, and restricts market conduct and products/service standards.	Review completed in September 2000. Act only used in limited circumstances. No significant restrictions identified.	The Government is considering review recommendations. Act likely to be repealed and relevant sections included in a revised Waterworks Act in due course.
<i>Water Resources Act 1990</i>	WR	Restricts market conduct.	Review completed.	Act repealed by the Water Resources Act 1997.

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Waterworks Act 1932</i>	AIS	Barriers to market entry, and restricts market conduct, and product/service standards.	Joint review with the Sewerage Act 1929 and the South Australia Water Corporation Act 1994 completed.	The Government is considering the review recommendations. Only minor changes anticipated, but will prompt wider review of utility provision.

Tasmania

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Australian Titan Products Act 1945</i>	DIER	Provides certain water rights to a company and prohibits it from generating electricity.		Act repealed by the Legislation Repeal Act 1998.
<i>Clyde Water Act 1898</i>	DPIWE	Vests trustees with the power to repair and alter works, construct works to convey water from Lake Sorell to the River Clyde and any waterworks necessary to provide the towns of Bothwell and Hamilton with water.		Act repealed by the Water Management Act 1999.
<i>Electricity Supply Industry Restructuring (Savings and Transitional Provisions) Act 1995</i>	DIER	Requires certain irrigation waters to be made available to certain water users, providing them with a commercial benefit that is not available to others.	Review completed as part of the implementation of the CoAG reform agenda for the Australian water industry.	Act amended by the Water Management Act 1999.
<i>Florentine Valley Paper Industry Act 1935</i>	FT	Authorises the granting of exclusive timber, water and transport rights to one company.	Reviewed as part of the implementation of the CoAG water reform agenda completed. Review recommended transfer of licensing of water rights to the Water Management Act.	Licensing of water rights transferred to the Water Management Act.

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Groundwater Act 1985</i>	DIER	Prohibits the construction or enlarging of a well, or the drawing of water, in a proclaimed region without a permit. Provides the Director of Mines with the power to shut, limit, repair or modify any Tasmanian well.		Act repealed by the Water Management Act 1999.
<i>Hobart Regional Water Act 1984</i>	DPIWE	Gives the Hobart Regional Water Board exclusive rights to take water from the Derwent River, Mount Wellington and other streams, construct bulk supply works and enter into agreements with municipalities to provide water.	Review not required.	Act repealed by the Hobart Regional Water (Arrangements) Act 1996, which was assessed under gatekeeper provisions.
<i>Huon Valley Pulp and Paper Industry Act 1959</i>	FT	Provides the company with free unlimited water rights, restricts the water rights of the Huon Council (and its residents), rights over Crown land. Sets company conduct in relation to river bank degradation and water quality.		Act repealed by the Legislation Repeal Act 1996.
<i>Irrigation Clauses Act 1973</i>	DPIWE	Market entry. Provides for the construction of waterworks by persons authorised by another Act to do so. Provides for the right to a supply of water for irrigation.	Review completed as part of the implementation of the CoAG reform agenda for the Australian water industry.	Act amended by the Water Management Act 1999.

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Loan (Hydro-Electric Commission) Act 1957</i>	HEC	Provides irrigation rights to persons in the Parish of Lawrenny.		Act repealed on 6 November 1996. Repealing Acts included on the LRP timetable in place of a review of these Acts. Repealing Acts consist of the Electricity Supply Industry Act 1995 and the Electricity Supply Industry Restructuring (Savings and Transitional Provisions) Act 1995.
<i>Mount Cameron Water Race Act 1926</i>	DIER	Legislated restriction on competition as part of a legislative scheme governing water rights to the Rushy Lagoon property.	Not originally listed for review.	Act repealed by the Legislation Repeal Act 1998.
<i>North Esk Regional Water Act 1960</i>	DPIWE	Provides the Rivers and Water Supply Commission with the exclusive right to supply certain 'water districts' from waterworks vested in the Commission.		Act repealed by the Northern Regional Water (Arrangements) Act 1997.
<i>North-West Regional Water Act 1987</i>	DPIWE	Provides that the North West Regional Water Authority may take water from specified places. Provides that the Authority shall supply municipalities in the Water District with water and that municipalities will not obtain water in bulk from elsewhere.		Act repealed by the North West Regional Water (Arrangements) Act 1997, which commenced in 1999. This Act assessed under LRP gatekeeper requirements.
<i>Rossarden Water Act 1954</i>	DPIWE	Provides that the Fingal Council may use its power to supply water to the Aberfoyle Tin mine free of charge, effectively providing the company with a competitive advantage.	Review not required.	Act repealed by the Water Management Act 1999.

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Sewers and Drains Act 1954</i>	DPIWE	Specifies material and work standards for the construction and maintenance of sewerage works. Requires certain Council officers to hold certificates of qualification.	Act removed from the LRP.	Restrictive provisions in Act removed.
<i>Thomas Owen and Co. (Australia) Limited Act 1948</i>	DPIWE	Provides a company with the right to take as much water as required at no cost and prohibits it from using that water to generate electricity.		Act repealed by the Water Management Act 1999.
<i>Water Act 1957</i>	DPIWE	Gives the Rivers and Water Supply Commission the power to allow or prevent persons from taking water from rivers and lakes. Prohibits the taking of water for irrigation without the authority of the Commission. Specifies water quality standards.	Review by external consultants completed in 1999.	Act repealed and replaced by the Water Management Act 1999. Assessed under the gatekeeper requirements and any restrictions justified in the public interest.
<i>Water Management Act 1999</i>	DPIWE			New legislation assessed under the LRP gatekeeper requirements.
<i>Waterworks Clauses Act 1952</i>	DPIWE	Gives power to persons, authorised by special Acts to construct waterworks, to acquire land and to undertake various activities associated with the construction of such waterworks.	Review completed as part of the implementation of the CoAG reform agenda for the Australian water industry.	Act amended by the Water Management Act 1999.
<i>Wesley Vale Pulp and Paper Industry Act 1961</i>	FT	Ratifies a financial agreement providing a particular company with a competitive advantage, potentially acting to restrict competition.	Review completed as part of the implementation of the CoAG water reform agenda.	Act amended by the Water Management Act 1999.

Australian Capital Territory

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Cotter River Act 1914</i>	DUS		Intradepartmental review completed in 1999.	Act repealed on 23 March 2000.
<i>Energy and Water Act 1988</i>	DUS		Review not required.	Act repealed as part of the Utilities legislation.
<i>Sewerage Rates Act 1968</i>	CM		Review not required.	Act repealed and relevant provisions now contained in the Utilities Act 2000.
<i>Water Pollution Act 1984</i>	DUS			Act repealed by the Environment Protection Act 1997.
<i>Water Rates Act 1959</i>	CM		Intra-departmental review completed.	Act repealed and relevant parts included in the Utilities Act 2000.

Northern Territory

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Water Act and Regulations</i>	DIPE	Provides for the investigation, use, control, protection, management and administration of water resources.	Review by external consultants completed in July 2000. No reform recommended.	
<i>Water Supply and Sewerage Act</i>	PAWA	Single provider status provided to Power and Water Authority. Lacks separation of service delivery from regulatory roles.	Independent review completed in March 2000.	Act repealed and replaced by the Water Supply and Sewerage Services Act 2001. Single service provider status retained due to economies of scale. The Utilities Commission is now responsible for licensing for water and sewerage supply in the Northern Territory. In February 2002, the Utilities Commission issued an urban water supply licence to the Power and Water Authority.

<i>Name of legislation</i>	<i>Agency</i>	<i>Major restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>
<i>Water Supply and Sewerage Services Act</i>	PAWA	Single supplier of water and sewerage services within a defined geographical area.		Legislation replaces the Water Supply and Sewerage Act. Single provider status retained due to economies of scale. Independent licensing introduced by the Utilities Commission in February 2002.

References

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