

# National Competition Policy



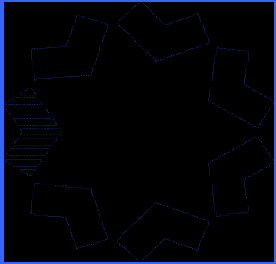
## Water Reform: Where Now?

**Paul Swan**  
National Competition  
Council

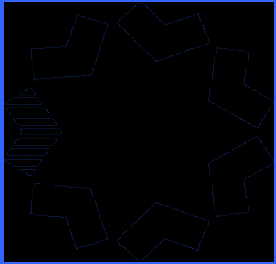


# *Today's presentation*

- ① CoAG Water Reform Agreements
- ② The Role of the NCC
- ③ The next NCC report on water reform
- ④ Reform Progress to Date
- ⑤ Where Now? Key challenges
- ⑥ What this means for Queensland



# *1. The CoAG Water Reform Agreements*

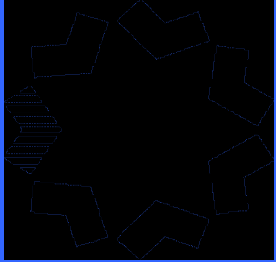


# *The Need for Reform - the Queensland Context*

- The bulk of Queensland's rivers are coastal and Queensland's water resources are less heavily committed than the Southern States

*but*

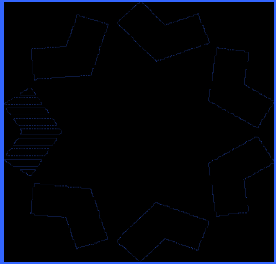
- parts of Queensland may experience water shortages if current usage continues
- While salinity has not been an issue in the past, recent studies suggest the potential is large and is yet to emerge



# *The Need for Reform*

- Extensive and unsustainable use of water has lead to problems for
  - farmers
  - rural towns
  - the environment





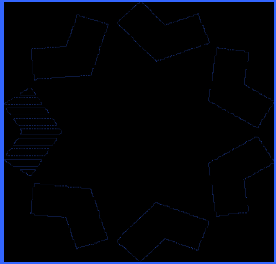
# *COAG water reform*









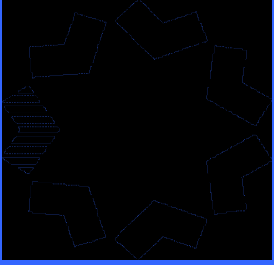
To address these problems, significant policy changes were necessary

In 1994 COAG endorsed a framework of reform to promote an efficient and sustainable industry

# *Components of Water Reform Framework*

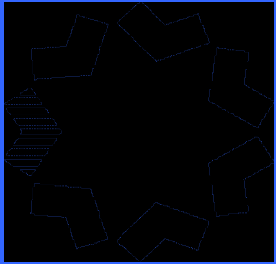


-  pricing reform and full cost recovery
-  Clear lines of responsibility between government and water authorities
-  Establishing secure access to water separate from land
-  permanent & interstate trading
-  providing water for the environment
-  public education and consultation



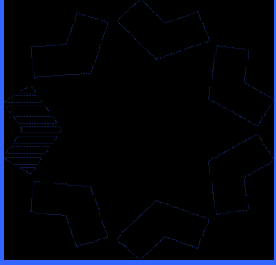
## *2. Who is the NCC?*





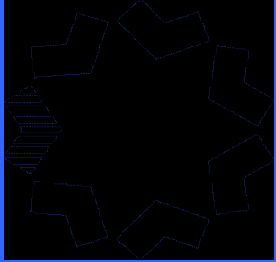
# *Who is the NCC?*

- 5 Councillors, 20 Secretariat staff
- The central role of the NCC is to report on reform progress
  - NCC recommends to the Treasurer whether States have made sufficient progress for NCP payments.



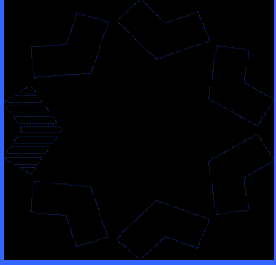
# *The role of governments*

- The agreement of all governments decided what reforms were included
- The role of Governments is to implement the agreed reforms
  - Many policy options to meet the requirements of the agreement
    - Concerns with the policy option chosen must be addressed with governments

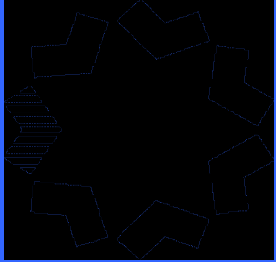


# *The Role of the NCC*

- The NCC's role is to report & assist compliance with the NCP agreements
  - If government policy/implementation breaches the CoAG agreement, NCC concern
- Reports of progress for water reform in June 1999 and June 2001
  - the NCC has also conducted supplementary assessments

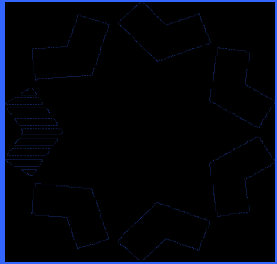


# *3. The Next NCC Report on Water Reform*



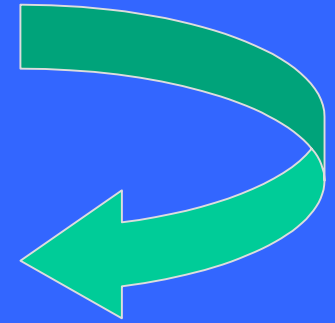
# *June 2001 Assessment*

- The next assessment of water reform will occur in June 2001
- In November 2000, CoAG agreed to extend the life of the NCC until September 2005
- There will be annual assessments after June 2001



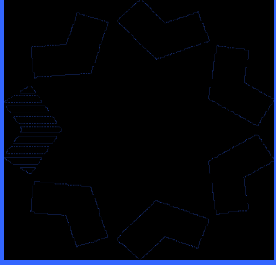
# June 2001 Assessment Framework:

[www.ncc.gov.au](http://www.ncc.gov.au)



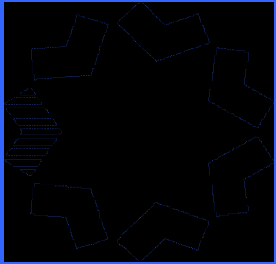
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# *4. Progress to Date...*

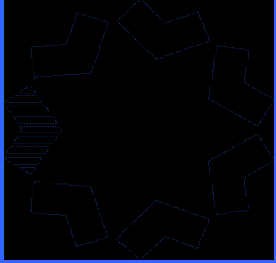




# *Legislation*

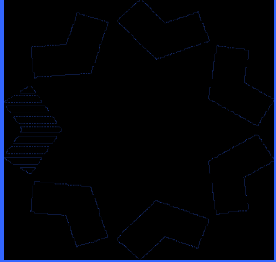
- All States and Territories have now passed legislation that underpins the reform process
  - this has taken somewhat longer than originally envisaged
  - Qld, NSW, WA and the NT all passed significant Water Acts late in 2000





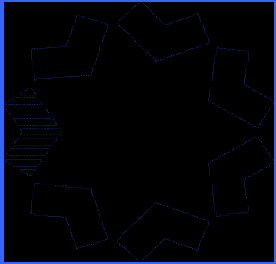
# *Urban Water Reforms*

- Urban reform is well advanced
  - all jurisdictions have largely implemented full cost recovery in urban sector
  - service providers now earn positive RoR
  - cross-subsidies are being wound back
  - consumption based pricing is leading to people conserving water



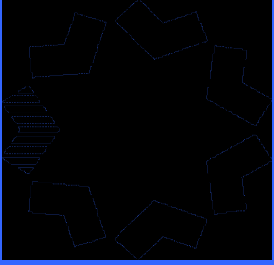
# *Rural Water Reform*

- Rural reform still has some way to go
  - All states are making progress to implement full cost recovery
  - allocation and trading regimes are being put in place. Trading is leading to water going to the most productive uses
  - investment decisions now based on rigorous appraisals of economic viability and ecological sustainability



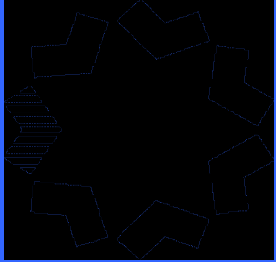
# *Other Areas of Reform*

- All governments established **clear lines of responsibility** in the areas of resource management, regulation, service provision
- **Local people have a greater say** in the management of water, particularly in irrigation districts
- All sectors (urban, NMU, irrigation) now subject to **annual benchmarking**



# *5. Where Now?*

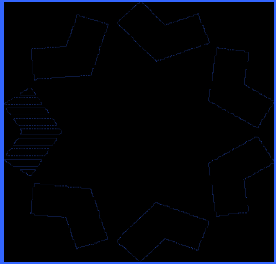




# *Rural full cost recovery*

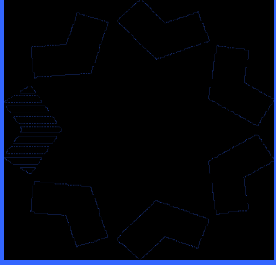
- Full cost recovery in rural water pricing is a key reform challenge





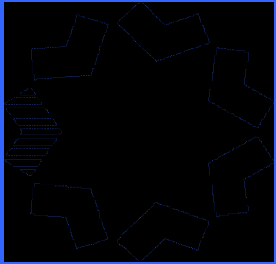
# *Rural Full cost recovery*

- In June 2001, the NCC will report on:
  - schemes where full cost recovery is met
  - those with price paths to achieve beyond 2001
  - those where full cost recovery unlikely to be achieved with CSOs made transparent
  - cross subsidies made transparent



# *Water Property Rights*

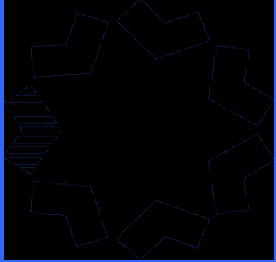
- Jurisdictions are continuing the process of establishing clear property rights for water



# *Water Property Rights*

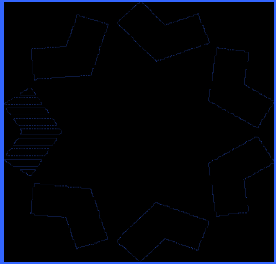
- In June 2001, the NCC is looking at the **efficacy of water property rights** across all governments
- NCC is looking at the delivery of the **overall package** to **ensure sufficient certainty in property rights**
- **NCC paper on property rights** released on the website in February 2001





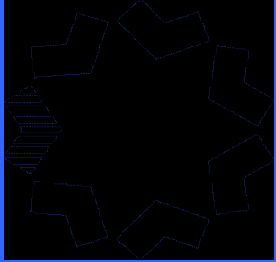
# *Environmental Flows*

- All governments have begun the process of setting environmental allocations in planning and legislation



# *Environmental Flows*

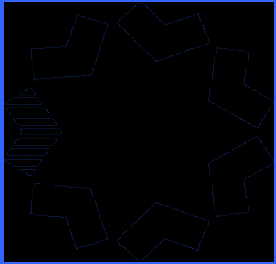
- **Progress has been slow** and there is a long way to go. Needs to all be in place by 2005
- **Needs to be supported** by better understanding of river health, and ecology of flow regimes



# *Water Trading*

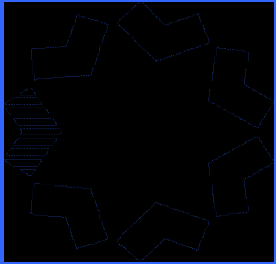
- All governments now recognise the benefits of water trading

*but....*



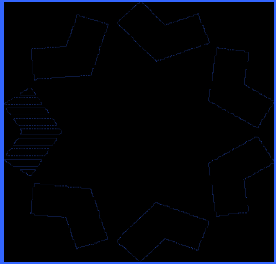
# *Water Trading*

- Evolution of successful trading policies is mixed across the States
  - Some states are well advanced while others are yet to address community concerns to the concept
  - There is a need to look beyond intrastate to interstate trades



# *6. What this means for Queensland*





## *In Summary*

- Continued progress with full cost recovery - urban and rural
- Finalised WAMPs and WRPs to be assessed against Water Act 2000 and Queensland's implementation timetable
- Any new investment in rural schemes to be assessed against Qld's economic viability guidelines
- Removal of impediments to trade