Water Reform and National Competition Policy

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Land and water degradation, due in part to inappropriate water use, is costing Australia at least $2 billion annually. To put this into perspective, this loss is nearly half the gross annual value of Australian wheat production.

In 1994 all Australian governments recognised the need to better manage Australia's relatively scarce water resources and agreed to a reform package aimed at achieving an economically viable and environmentally sustainable water industry. The National Competition Council oversees the implementation of water reform under National Competition Policy.

The water reforms include changes to: how we value and therefore price rural; urban and waste water; the management of water infrastructure and institutional reform; water allocations to the environment; water quality and water property rights for rural users.

Water reform is a complex, demanding and lengthy process requiring recognition of a wide range of community, business, and in particular, farming interests. The process is further complicated by water systems crossing numerous State boundaries, for example the Murray Darling Basin covers Queensland, NSW, Victoria, South Australia and the ACT.

Australia's national approach to reform is however resulting in significant improvements in how we manage and use water.

In rural areas, the separation of water allocations from land titles is creating a well specified, bankable and tradable asset for farmers. Previously if farmers wanted to access more water then they had to buy more land. Water trading gives rural users more options for their businesses and greater flexibility with farming practices and crop choice. It also allows new ventures, such as

viticulture, horticulture and food processing, which bring jobs and wealth to regional communities, to secure the water they need to undertake investment.

In most urban areas water bills are now based on consumption rather than property values, providing users with a financial incentive to use water wisely. In some cases the resultant decline in consumption has postponed investment in expensive dam infrastructure for up to thirty years.

Importantly the legitimate needs of the environment are now being recognised in water use decisions. Governments are stopping additional water allocations from already stressed rivers and aquifers, and preventing new dams unless they are proven to be both economically and ecologically viable. Water management plans are providing for stronger river and stream flows, recognising groundwater requirements and aiming to preserve ecologically significant environments. These and other initiatives are helping to address the degradation of our land and water resources.

Private sector investment to promote efficiency in water use would be a further positive step towards a viable and sustainable future for our water resources and for users dependent on it. Indeed the interests of both irrigators and the environment might be well served by broadening the focus of the current debate on reduced water allocations for irrigators (and possible compensation issues), to include a greater emphasis on investment in more efficient irrigation infrastructure.

While we have had some important achievements, there is a long way to go before the reforms are fully implemented and having their intended effects. The reform package recognised, however, that certain areas of reform would be difficult, and completing the entire program would take many years.

In water reform, more so than in most other areas, governments need foresight and commitment. The costs of water reform are relatively immediate, while the benefits will emerge over the long term. Nevertheless the national approach in place offers the best prospects of changing past water practices. Plainly speaking, we have little choice, if reform is not actively pursued our grandchildren will undoubtedly inherit a degraded and increasingly unproductive natural environment.