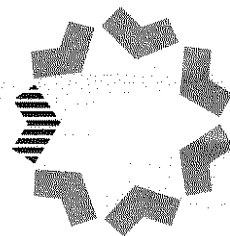


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SUBMISSION NO. 12



Secretary: *[Signature]*

RECEIVED

16 AUG 2002

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON
AGRICULTURE, FISHERIES
AND FORESTRY

13 August 2002

The Secretary
House of Representatives
Standing Committee on Agriculture, Fisheries and Forestry
Parliament House
CANBERRA ACT 2600

Inquiry into future water supplies for Australia's rural industries and communities

Dear Mr Dundas

The National Competition Council plays a leading role in reforms agreed by all governments designed to achieve a more secure and sustainable water industry in Australia. The Council welcomes this inquiry and is happy to assist in any way it can.

The enclosed background material outlines the National Competition Council's role in water reform in general, and specifically, rural water reform. The information provided may be of assistance to the Committee as it undertakes its inquiry into this nationally significant issue. To supplement this brief overview, please find enclosed the following documents:

- National Competition Policy Agreements – Water Resource Policy
- National Competition Council 2002 NCP Assessment Framework (water reform).
- National Competition Council 2001 NCP Assessment of Governments' progress in implementing NCP and related reforms.
- Second Tranche Assessment of Governments' progress in implementing NCP and related reforms Volume II (water reform only).
- Supplementary Second Tranche Assessment December 1999 – (water reform only)
- Third Tranche Assessment Framework (water reform only)
- Community Information Paper – Rural Water Reform
- *A Viable and Sustainable Water Industry*, National Competition Council Staff Discussion Paper, 2002

In 1994, the Council of Australian Governments (CoAG) agreed that the

management and regulation of Australia's water needed significant change. A water reform package was subsequently developed which encompasses urban and rural water supply and wastewater industries, and includes economic, environmental and social objectives. The reform program is aimed at improving the efficiency and effectiveness of water service providers and instituting water management planning such that the effects of all water use (by agriculture, industry, households and the environment) is taken into account.

The National Competition Council was established in 1995 to assist in the implementation of National Competition Policy. The Council is a statutory agency of the Commonwealth but has responsibilities to all Australian Governments as a whole, through CoAG. It was CoAG who decided to include the water reform package under the umbrella of National Competition Policy, due to the importance of the reforms to the economy and the environment.

A primary objective of the CoAG water reform package is to secure water rights and trading arrangements that ensure water is allocated to the most productive uses. Other key objectives include ensuring the accountability of water service providers and that water supplies reflect the costs of water service provision. Rural pricing reforms are based on consumption-based pricing, full-cost recovery, and the removal of cross-subsidies which are not consistent with efficient and effective service provision. Rural water suppliers should achieve positive rates of return, set aside funds for future asset refurbishment, and make subsidies transparent. There has been a focus on improving accountability and enhancing the quality of customer service in the rural water industry. As part of the water reforms, governments have also agreed to consult the community when addressing price setting, service standards and water conservation.

One issue of particular relevance to the management of rural water is the commitment by all governments that investment in new rural infrastructure be positively appraised as economically viable and ecologically sustainable. Further, where significant future irrigation activity or dam construction is contemplated, appropriate assessments should be undertaken to allow governments to be satisfied that the environmental requirements of river systems would be met before harvesting of water occurs.

The role of the National Competition Council is to assess the progress of each jurisdiction in the implementation of the agreed reforms. The Council has completed its first, second and third tranche assessments, and is currently completing the 2002 NCP assessment which is to be presented to the Federal Treasurer in the very near future. The Council would be pleased to meet with the Committee should it require oral evidence in support of the information we have provided. Please contact me on (03) 9285 7499 or Mr Paul Swan on (03) 9285 7479 should you wish us to meet with the Committee.

Yours sincerely



Ed Willett
Executive Director