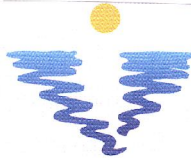
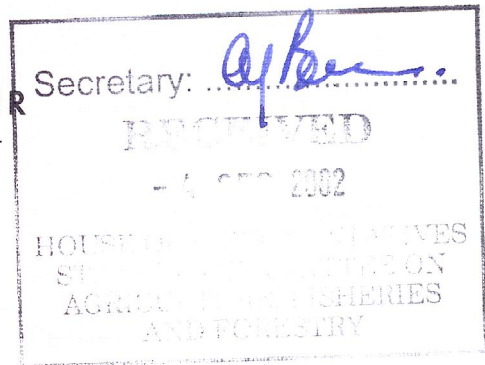


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VICTORIAN WATER
INDUSTRY ASSOCIATION INC.



30 August 2002

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

Dear Mr Dundas

Inquiry Into Future Water Supplies For Australia's Rural Industries And Communities

The Victorian Water Industry Association ("VicWater") welcomes the opportunity to comment on the recently released inquiry into future water supplies for Australia's rural industries and communities. The following comments have been compiled from the general views of the Victorian Water Industry and carry the support of the VicWater Board.

1 VicWater and the structure of the Victorian Water Industry

- 1.1 The Victorian Water Industry Association Inc ("VicWater") was established in January 1996 and represents water utilities from across the metropolitan, regional urban and rural sectors of the Victorian water industry. VicWater's mission is to provide Victorian water businesses with a strong and effective voice in their relationships with Governments, regulatory bodies, customers and community bodies and environmental management authorities.
- 1.2 All metropolitan, regional urban and rural water authorities within Victoria are State Government owned entities and differ as follows:
 - 1.2.1 The **Metropolitan** sector is comprised of one wholesaler (Melbourne Water Corporation) and three retail water and wastewater providers. Melbourne Water is a statutory corporation operating under the Melbourne and Metropolitan Board of Works Act 1958 and the Melbourne Water Corporation Act 1992 and is responsible for wholesale functions such as the bulk supply of treated water, the majority of sewage treatment and metropolitan wide waterway, drainage services and floodplain management. Water services to residential, commercial and industrial customers are supplied by three retail businesses, City West Water, South East Water and Yarra Valley Water. The retail businesses were created pursuant to the Water Industry Act 1994 and operate under Corporations Law. This Act also created a licensing regime for the delivery of water and sewerage services, subject to oversight from the Essential Services Commission.

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- 1.2.2 **Regional Urban Water Authorities (RUWAs)** - Under the Water Act 1989, RUWAs are the statutory authorities that provide water and wastewater services for urban areas across the State outside of the Melbourne metropolitan area. Unlike the metropolitan retail companies RUWAs are not currently subject to an operating licence. Individual RUWAs develop Water Service Agreements (WSAs) with Government that outline service and performance standards required. These organisations have diverse characteristics and significantly varied financial and operating challenges.
- 1.2.3 **Rural Water Authorities** - Under the Water Act 1989, four regional rural water authorities (RWAs) and one irrigation trust harvest, manage and deliver water for irrigated agriculture across the state. The RWAs provide bulk water, irrigation and drainage services, domestic and stock supplies, and oversee the licensing of surface and groundwater diversions. The RWAs are regionally based statutory authorities and have autonomous, skills based boards, appointed by and subject to the direction of the Minister for Environment and Conservation. RWAs are specifically designated as being not-for-profit organisations.

2 Comments on Key Points Raised in the Inquiry Terms of Reference

- 2.1 The Terms of Reference are broad and cover a complex suite of issues relating to rural water use by industries and communities. As a result, comments provided here cannot be as narrow or conclusive as is necessary to determine policy direction. Further research must be carried out into the issues identified at this Inquiry in order to ascertain the potential effects of specific Commonwealth initiatives.

Terms of Reference 1 – The Role of the Commonwealth in ensuring adequate and sustainable supply of water in rural and regional Australia.

- 2.2 The Commonwealth is widely thought to play an important policy setting role in relation to rural water use in Victoria where there are clear environmental and regional development benefits. In particular, recommended COAG reforms have achieved positive outcomes in terms of rural water industry practice, while the Murray-Darling Basin Commission has an important role in co-ordinating the management of the Murray-Darling catchment area. The Commonwealth has an ongoing role to play in encouraging integrated planning on a whole of catchment scale.
- 2.3 Water has an important strategic value for the national economy and the development of export markets, and this value needs to be recognised. Irrigated agriculture is the most profitable agriculture and dependent value-adding industry contributes very significantly to regional economies and to Australia's export earnings. Nothing is more strategic in much of regional Australia than reliable water supply. Sustainable water resource management and associated infrastructure is fundamental to a positive future for rural Australia.
- 2.4 It is understood that the Commonwealth Environment Protection and Conservation Act (1999) gives the Commonwealth responsibilities to monitor actions in the State, including those relating to threatened species, heritage areas *etc.* This could have implications for environmental flows and changes to water regimes.

Terms of Reference 2 – Commonwealth policies and programs, in rural and regional Australia that could underpin the stability of storage and supply of water for domestic consumption and other purposes

- 2.5 In relation to security of supply, a heavy burden is borne by rural water authorities and communities in situations where drought or water scarcity prevails. Commonwealth policies to provide drought relief are supported, however they are often implemented "after the event". Consideration must also be given under the Commonwealth drought management framework to supporting rural communities and industries during drought events, especially for water efficiency improvement programs which mitigate the effects of future droughts.
- 2.6 Provision of an adequate/quality water supply to regions is as essential infrastructure as roads.
- 2.7 Partnerships with State Governments and local communities would seem appropriate for major improvement schemes; for example, Northern Mallee and Wimmera-Mallee piping projects.

Terms of Reference 3 – The effect of Commonwealth policies and programs on current and future water use in rural Australia.

- 2.8 The Commonwealth has a role to play in ensuring Australian industry is conforming to international best practice in water cycle management, including the compliance of water authorities with international agreements and protocols, and related mechanisms for promoting continuous improvement.
- 2.9 Water use in rural areas is largely dependent on population/demographic factors. The Commonwealth has the ability to influence some of these factors, for example through immigration policies leading to population change or incentives for industry to locate in a certain region. These policies must be developed within the context of resultant infrastructure requirements and available water resources.
- 2.10 A number of federal initiatives, including the Murray Darling Basin cap, National Action Plan on Salinity and NHT have had largely positive impacts, but in some cases negative effects have occurred, (eg Avon-Richardson diversions and stream-flow management) that need to be managed better.
- 2.11 It is essential that projects with a longer implementation period not be viewed in a negative capacity. Such projects need to be embraced in a bi-partisan manner to ensure continuity.
- 2.12 There is a need to streamline current application/approval processes. These are considered to be overly bureaucratic and time consuming.
- 2.13 It is important that federal department officials have a practical knowledge of regions, which should be updated regularly with a regional visit program.
- 2.14 Governments need to deliver on the policy rhetoric of empowering regions and enabling community based catchment management organisations to prioritise investments in natural resource management, consistent with (accredited) regional catchment strategies.

Terms of Reference 4 – Commonwealth policies and programs that could address and balance the competing demands on water resources.

- 2.15 The Victorian water industry places a strong emphasis on water conservation, and making the most use of current water supply systems before developing new resources. There is a potential role for the Commonwealth in developing a "National Water Efficiency Strategy", similarly to the National Water Quality Management Strategy being administered by the Department of Agriculture, Fisheries and Forestry. This Strategy could encompass a number of different initiatives:
- 2.15.1 Broad community consultation indicates that people are interested in conserving water through using water efficient appliances such as low flow showerheads and AAAAAA washing machines. A coordinated national approach will be essential to achieve maximum effect through regulation of minimum efficiency performance standards. Existing competition and mutual recognition laws will limit the ability of the states to implement regulations. A legislative model based on that used for electrical appliances efficiency regulation, which is coordinated through the Australian Greenhouse Office (AGO) and the National Appliance and Equipment Efficiency Committee (NAEEC), would appear to be a suitable approach.
 - 2.15.2 The Water Services Association of Australia (WSAA) has an active program of developing a system of water efficient ratings similar that of the energy star rating scheme. Manufacturers of water efficient products could obtain greater benefit from compulsory use of the system but a national approach will be essential. This could also be coordinated through the AGO and the NAEEC.
 - 2.15.3 Similarly to water conservation, the Commonwealth could facilitate adoption of national standards for recycling to strengthen the community's acceptance of recycled water as a valuable resource.
- 2.16 Policies on social equity are relevant to matters such as water quality, (eg comparisons between city and rural supplies).
- 2.17 Water catchments transcend State boundaries and Federal involvement in a "strong facilitator" role is appropriate. There is a need for proactive government leadership that exhibits cooperation between commonwealth and state governments.
- 2.18 In catchments where water resource development is mature, commitments made to consumptive water entitlements may need to be reduced (for example, in the Murray-Darling Basin). Different scenarios could see a need for structural adjustment assistance (a Commonwealth agricultural responsibility) or compensatory measures for the modification of water property rights or entitlements (a State government responsibility).

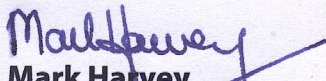
Terms of Reference 5 – The adequacy of scientific research on the approaches required for adaptation to climate variability and better weather prediction, including the reliability of forecasting systems and capacity to provide specialist forecasts.

- 2.19 There is a clear role for the Commonwealth to provide ongoing research and development funding for areas of importance to the rural water industry, in particular in relation to climate change and impacts on rainfall in future. Initiatives such as the National Land and Water Audit have also provided important information. CSIRO or the Bureau of Meteorology would most likely provide this research.

2.20 There appears to be very sound reasons for significant extra Federal resources towards weather R&D, including much closer scrutiny of world best practice.

Once again we thank you for the opportunity to comment on this Inquiry. Please contact me if you wish to clarify any points raised in this letter or if you require further information.

Yours sincerely


Mark Harvey
Chief Executive Officer