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The Water Services Association of Australia (WSAA) appreciates the opportunity to make a submission to the Final Report of the Competition Policy Review.

The urban water sector comprises a small section in the Review's Final Report. However, this should not understate the importance of the Report's recommendations. The urban water sector has revenue of over \$15 billion annually and manages assets with a value over \$150 billion. It is integral to the public health, liveability and productivity of our cities and communities.

Recommendation 20 in the Final Report is:

All governments should progress implementation of the principles of the National Water Initiative, with a view to national consistency. Governments should focus on strengthening economic regulation in urban water and creating incentives for increased private participation in the sector through improved pricing practices.

State and territory regulators should collectively develop best-practice pricing guidelines for urban water, with the capacity to reflect necessary jurisdictional differences. To ensure consistency, the Australian Council for Competition Policy (see Recommendation 43) should oversee this work.

State and territory governments should develop clear timelines for fully implementing the National Water Initiative, once pricing guidelines are developed. The Australian Council for Competition Policy should assist States and Territories to do so. Where water regulation is made national, the responsible body should be the proposed national Access and Pricing Regulator (see Recommendation 50) or a suitably accredited state body.

In WSAA's submission to the Competition Policy Review (attached) we strongly supported the Commonwealth and State Governments recommitting to national action to progress urban water reform. We argued that a national approach should focus on:

- Meeting the challenges of climate variability, urban growth and liveability of our cities and towns across the urban water cycle including stormwater
- Improving economic regulation to ensure that utilities can continue to meet the long term interests of consumers
- Resolving the appropriate role for competition in urban water
- Enabling greater private sector involvement in urban water.

WSAA therefore supports the intent of Recommendation 20 to focus on implementing national principles for economic regulation and private participation. We note that Infrastructure Australia's

National Infrastructure Audit released on 22 May 2015 also focussed on the need for better economic regulation finding that:

Economic regulation of the sector is fragmented and may not effectively protect the long-term interests of consumers: objectives are often not clearly specified; links between economic, health and environmental regulation are not well identified; and existing economic regulation does not provide the consistency, certainty and transparency necessary to support further private involvement in the sector.

However, the recommendation is phrased in terms of implementing the existing National Water Initiative. WSAA does not consider that this will achieve the Review's objective for water reform. The NWI is the right vehicle for pursuing reform – it enjoys the support of all States and Territories, however it needs to be expanded to accommodate a new reform agenda. It is generally recognised that urban water was underrepresented in the original NWI. The urban water agreement is set out in paras 90-92 of the NWI (Box 1).

Box 1 National Water Initiative: Urban Water

Outcome

90. The Parties agree that the outcome for urban water reform is to:

- i) provide healthy, safe and reliable water supplies;
- ii) increase water use efficiency in domestic and commercial settings;
- iii) encourage the re-use and recycling of wastewater where cost effective;
- iv) facilitate water trading between and within the urban and rural sectors;
- v) encourage innovation in water supply sourcing, treatment, storage and discharge; and
- vi) achieve improved pricing for *metropolitan* water (consistent with paragraph 66.i) to 66.iv)).

Actions

Demand Management

91. States and Territories agree to undertake the following actions in regard to demand management by 2006:

- i) legislation to implement the Water Efficiency Labelling Scheme (WELS) to be in place in all jurisdictions and regulator undertaking compliance activity by 2005, including mandatory labelling and minimum standards for agreed appliances;
- ii) develop and implement a 'Smart Water Mark' for household gardens, including garden irrigation equipment, garden designs and plants;
- iii) review the effectiveness of temporary water restrictions and associated public education strategies, and assess the scope for extending low level restrictions as standard practice; and
- iv) prioritise and implement, where cost effective, management responses to water supply and discharge system losses including leakage, excess pressure, overflows and other maintenance needs.

Innovation and Capacity Building to Create Water Sensitive Australian Cities

92. The Parties agree to undertake the following actions in regard to innovation:

- i) develop national health and environmental guidelines for priority elements of *water sensitive urban designs* (initially recycled water and stormwater) by 2005;
- ii) develop national guidelines for evaluating options for water sensitive urban developments, both in new urban sub-divisions and high rise buildings by 2006;
- iii) evaluate existing 'icon water sensitive urban developments' to identify gaps in knowledge and lessons for future strategically located developments by 2005;
- iv) review the institutional and regulatory models for achieving integrated urban water cycle planning and management, followed by preparation of best practice guidelines by 2006; and
- v) review of incentives to stimulate innovation by 2006.

The current NWI has no direct references to economic regulation, private investment or competition. While detailed pricing principles have been developed under the NWI they have not proven adequate to encourage consistency, transparency or predictability in pricing outcomes across jurisdictions.

The Final Report recommends that the Australian Council for Competition Policy (ACCP) oversee the implementation of a national urban water agenda. Since the release of the Final Report, the National Water Commission (Abolition) Bill 2014 has passed the Senate providing the Productivity Commission with responsibility for assessing progress against the National Water Initiative. Given the roles now assigned to the Productivity Commission and the future role for the ACCP, there needs to be resolution of where water leadership and reform resides at a Federal level.

Ideally there would be coordination between these two bodies to progress national involvement in urban water reform.

In summary, WSAA supports the intent in Recommendation 20 in the Final Report. To implement it, WSAA recommends that a revised National Water Initiative be developed to:

- ***Meet the challenges of climate variability, urban growth and liveability of our cities and towns across the urban water cycle including stormwater***
- ***Improve economic regulation to ensure that utilities can continue to meet the long term interests of consumers***
- ***Resolve the appropriate role for competition in urban water***
- ***Enable greater private sector involvement in urban water.***

We would welcome the opportunity to discuss our position further. If you have any further questions please contact me on 02 9221 0082 or mobile 0417 211 319.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adam Lovell', written in a cursive style.

Adam Lovell
Executive Director