

Submission on the National Water Reform Draft Report

The Water Industry Alliance (WIA) welcomes the opportunity to provide this submission to the Productivity Commission's National Water Reform draft report dated 17 September 2017.

The WIA considers the draft report to be reflective of the current status of water issues and their management in Australia with the following additional conditions and comments.

The WIA believes there is a need to maintain a focus on water in Australia, as it is critical to our society, economy and future prosperity. However, while doing this we must be cognisant of the current pressures on the broader water industry. This includes new and emerging issues for suppliers, asset managers and as users.

The Water Industry Alliance

The WIA was founded in Adelaide, South Australia in 1998 as a not-for profit association with around 15 members. Today we have over 120 members that collectively represent the complex business of water including; manufacturers, contractors, engineering services, technology companies, water utilities, professional services and research organisations.

While most of our members are based in SA we have a growing number of members from other Australian States. The WIA's purpose is to represent, support and promote our members to ensure we maintain and grow our capability to deliver leading edge water solutions and drive national and global demand for our member's products and services.

Growing fatigue within affected communities and industry

The draft report rightly indicates that great success has been had in Australia via the National Water Initiative and the reforms that it drove. The principles within the NWI have been captured and implemented via investment in government-led programs that have adapted policy to support change.

Our industry is telling us that there is a need to continue to evolve and develop new technologies, implement new practices and policy reforms, but those reforms that require end users (particularly in the irrigations sector within the Murray Darling Basin) are having the unintentional consequence of 'fatigue of continual change'. This is an important area of balance that reform design, development and implementation should consider. Moving forward, continued reforms and programs should focus on "continuous improvement" of the sector to find new ways of applying innovation in the sector, removing any unnecessary barriers and applying attention to those areas that need it.

In South Australia, those who are reliant on water for economic prosperity have undergone a process on continuous change since the late 1990s when Water Prescription was launched and implemented via Water Allocation Planning. In the Murray-Darling Basin, this has been compounded by continual change culminating in the Murray-Darling Basin Plan. South Australia has implemented some significant

programs which have been developed with industry, such as the SA River Murray Sustainability Program, and been extremely successful in transforming regions. Those affected and involved in these programs and reforms do not doubt the merits and value of the plan at all, but they are showing signs of fatigue and a desire to let regulatory change have some effect and show its benefits.

This fatigue is not a reason to stop the necessary reform journey, but it must be factored into any future reform processes and ensure the competing demands of change for those pursuing economic benefit for regional communities, is understood and where appropriate assisted with additional resources or financial support.

The importance of the National Water Commission

The draft report highlights the good work that has been led by agreement to the principles of the NWI. The WIA agrees that the NWI fostered and drove success through the commitment of the Australian Government and State and Territory Governments to the NWI. However, the abolition of the National Water Commission has left a gap in regard to issue-specific leadership that has not been replaced by subsequent measures. The value of the National Water Commission was to ensure that water remained on the Council of Australian Governments (CoAG) agenda and had a specific and dedicated strategic focus.

Coupled with the abolition of the National Water Commission was the de-funding at the Australian Government level (and the reduced funding at the State/Territory level) of key programs that aimed to implement change.

A nationally focused peak governance body to bring together policy and regulatory reform along with careful design of investment programs is important to appropriately value the critical nature of the water industry to Australia's economy and future development.

The re-establishment of national leadership should be considered as a key mechanism to support prioritisation of issues for consideration and investment, providing a body to ensure effective and focused monitoring of progress against priority issues and to ensure the public policy debate includes water management.

A new peak body would also provide a single point of leadership for conducting assessment and analysis to effectively and accurately "value" the contribution of the water sector (in all its forms) to State and National economies. This ideally, would be through long-term systematic assessments that capture change over time and inform the cycle of continuous improvement.

Growing Public Sector

A consequence of the above has been that the burden of investment has fallen to State Governments who have looked to internalise resources and knowledge more than ever before in an attempt to retain capability within a situation where there are reduced budgets across the public sector.

While the WIA supports the notion of retaining capability within government in the interest of public value, the effect has been to promote the conditions of market failure by shrinking the domestic water industry. It is important that governments are "informed and intelligent purchasers" to ensure that public funds are spent in a way

that provides public value and generates cost effectiveness. The role of governments must be defined and boundaries established to ensure that there is no inadvertent overlap or duplication with the private sector.

This has been particularly noticeable as (at least within SA) departments seek to internalise work that it would otherwise have been offered to the private sector. From an industry standpoint, this has meant fewer contracts, lower external spend by government and forced a downsizing of the industry through attrition with little in the way of succession following behind. The risk with this is that when the mature and senior experts, businesses and providers have exited the industry- there is little following on leaving a knowledge gap at a point where Australia will need them than ever before with the increased impacts of climate change, population growth and a deeper reliance on water.

The water sector extends beyond government and represents a broad ecosystem of services and products that are needed to deal with the challenges ahead. These challenges are well-described in the draft report.

National Leadership

The WIA supports the need to refresh national leadership in the water sector, particularly with ensuring that there is visibility at the CoAG level for water.

The draft report also recommends a refreshed NWI. The WIA is broadly supportive of this noting that there is a need to provide investment to the water industry to maintain and enhance its capability. Previous investments have reformed 'governments', policies and regulatory frameworks; it is now timely to consider the future needs of Australia and look to more providers of solutions across the value and production chain of those in the water sector.

Global opportunities for the Water Industry

The draft report recognises the importance and capability that has been built up in the Australian water sector. In the opening sentence of the "overview" chapter of the report, it states that "*Australia's water sector is viewed internationally as a world leader in water management.*" This position has been hard won and is difficult to maintain, but nonetheless remains a significant advantage that should be leveraged and enhanced.

A refreshed and renewed focus on water will need to take account of Australia's position on the world stage in relation to its expertise. The world is demanding solutions for water and Australia has an opportunity to fulfil this niche. Investment in research, development and extension is needed with a view to commercialization of the knowledge and tools produced. In addition, in order to maximise these strategic direction, investment is needed to build industry to industry, business to business linkages overseas. In this way, new investment in the water sector can be attracted to assist in its development.

This will also be important to ensure that there is new knowledge, thinking, behaviors and practices introduced into the domestic water industry so that it can keep pace with new learning and bring that back to Australia for our benefit.

In taking this point further, the nexus between energy and water is emerging as a critical factor that could substantially benefit both electricity generation challenges

and future water supply issues particularly in regional and remote Australia and overseas.

New funding models that drive innovation and grow the water industry

To expand and maximise our water industry's potential the WIA suggests that the Productivity Commission's final report consider the establishment of future governance and funding models, sponsored by the Australian Government, that enhance the potential of the industry to grow on the back of innovative research. The CRC model presents a ready-made model to consider future water issues (though the ability of the private sector to participate should be made easier).

Coupled with new funding models and positioning of a revised suite of principles and objectives, is the need to establish new governance and delivery models. These should be co-designed with industry players (of all types). At the heart of this re-design would be the need to ensure that a new model:

- Considers the priority areas of reform and investment to achieve public value from government investment decisions,
- Enables small and larger innovators and researchers to contribute and participate in the future planning and management of water in Australia through multi-disciplinary research approaches,
- Conducts its water reform agenda within a mantra of "continuous improvement" using monitoring, evaluation and reporting to assist in measuring performance,
- Relies on co-design and collaboration,
- Clearly articulates and defines roles and responsibilities, and
- Connects and distinguishes between data, research, evidence and knowledge to develop programs that have "knowledge mobility" (activities designed to ensure that evidence can be translated into action).

In closing, the WIA suggests that the draft report represents a balanced appraisal of the water sector; however, with the issues that Australia and the world face in regard to water resources, there is a need to refresh national leadership, commit to funding of activities to grow the industry and ensure that there is succession to call upon.