

Department of Primary Industries, Parks, Water & Environment
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National Water Reform Inquiry
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601

Dear Dr Doolan

In response to the Commission's letter of 22 March 2017, I provide a submission on behalf of the Department of Primary Industries, Parks, Water and Environment to the Productivity Commission's inquiry into the reform of Australia's water resources sector.

Tasmania has made significant progress towards implementing national water policy reforms under COAG's 1994 Water Reform Framework and since becoming a signatory to the 2004 National Water Initiative (NWI) Partnership Agreement in 2005.

The *Water Management Act 1999* is Tasmania's primary legislative instrument related to the management of freshwater resources and has provided a legislative framework that has continued to support the implementation of NWI policy principles and provides for the successful implementation of a Statewide water entitlement system.

In addition to the legislative framework, Tasmania has now adopted 11 Statutory Water Management Plans which cover the main areas of the state where there are high levels of competition for water resources and water market development. Statutory planning processes have facilitated the development of a significant improvement in knowledge and information on water resources in Tasmania (including hydrological models and scientific and technical assessments) and has supported the implementation of a range of information management tools and systems to inform planning and management of water resources (including Conservation of Freshwater Ecosystem Values, Water Information Management System of Tasmania, Water Assessment Tool).

A key outcome of statutory planning processes has been the development of a range of general policy tools and instruments to deliver NWI policy outcomes (<http://dpipwe.tas.gov.au/water/water-legislation-policies-and-strategies>). Along with these policy tools, the legislative and policy frameworks now in place have enabled NWI policy reforms to be implemented Statewide, including in areas not covered by statutory plans. This has resulted in improved outcomes for water users, other stakeholders, and the environment, in terms of the sustainable use of Tasmania's fresh water resources.

Since 2008 Tasmania has focused on implementing NWI compliant planning and entitlement frameworks and reviewing existing Plans in areas where there is active water market development related to Tasmania's successful water infrastructure development program; Tranche 1 (2009-2016) includes 10 irrigation schemes and Tranche 2, which commenced in 2016, includes the development of a further five schemes. Significant public and private investment in major water infrastructure projects and increasing complexity in management of the water resource is a major driver for water policy reform in Tasmania.

Since 2008, there has been significant reform in the State's urban water sector, reflecting, in large part, the NWI principles. This process is ongoing.

TasWater, the urban water and sewerage service provider in Tasmania, is currently owned by Tasmania's 29 local government councils. The Tasmanian Government has recently announced its plan to transfer ownership of TasWater to the State Government to accelerate infrastructure investment across the state and improve TasWater's compliance with its environmental and public health requirements. The Government also plans to change the economic regulatory framework, including transferring responsibility for water and sewerage pricing to the Treasurer.

It is expected the legislation to bring about these changes will be introduced into the Tasmanian Parliament early in the 2017-18 financial year.

LOOKING FORWARD

In the context of any potential re-working of national water policy frameworks, such as the National Water Initiative, a prudent strategic approach suggests a range of possible future state-level policy developments should be identified in order to appropriately position the national framework.

The following comments are provided to assist with positioning national policy in relation to possible developments which the Department considers may emerge in coming years.

Water market development

Water market development is increasingly becoming a driver for water policy reform in Tasmania. During the past 10 years there has been a steady growth in water markets and the number of schemes delivering reliable water products. In some catchments there are multiple water managers and multiple water supply schemes and systems. This is driving growth in demand for a range of services, information support systems and partnerships, to enable water managers and users to integrate and share information and coordinate the collaborative management of supply systems and water resources.

The Department considers it would be beneficial for national support and assistance in the further development and integration of water market information and mechanisms.

Policy that supports adaptive management

Since 2005, climate variability and increasing operational complexity have been key challenges to implementing water reforms that consistently deliver the intended policy outcomes. Tasmania has designed adaptive management approaches into a range of policies and statutory planning instruments. In a policy environment of increasing complexity there is a growing need to provide certainty for water users to improve market confidence.

Clearly, it is also necessary, while providing an appropriate degree of certainty, that policy instruments remain outcome focused and provide the flexibility necessary to support a range of possible adaptive management strategies to continually improve their effectiveness in delivering the intended policy outcomes.

In summary, the Department considers the overall objectives and principles of the NWI have been, and continue to be, of significant value in delivering benefits to Tasmanians. It is considered that these objectives and principles should be preserved in a form that will continue to facilitate the flexible achievement of beneficial outcomes.

Yours sincerely

John Whittington
SECRETARY

17 July 2017