



ICE WaRM

International Centre of Excellence
in Water Resources Management

Submission by ICE WaRM to the Productivity Commission Inquiry into National Water Reform

The Productivity Commission (PC) is tasked with undertaking an inquiry into the reform of Australia's water resources sector including the progress against the objectives and outcomes of the National Water Initiative (NWI) and the need for any future reform. A draft report was released on the 15th September 2017 for public comment.

The International Centre of Excellence in Water Resources Management (ICE WaRM) welcomed the opportunity for Mr Darryl Day, Managing Director of ICE WaRM, to present to the public hearing in Adelaide on Monday, 23rd October 2017. This submission supports and compliments that presentation.

The breadth of coverage of issues in the draft report, reflecting the extensive consultation and in-depth considerations undertaken by the Commissioners and Inquiry secretariat, is greatly appreciated. The report captures Australia's reform journey and many priorities for further reform.

ICE WaRM advocates the following three key areas for further consideration by the Productivity Commission:-

- Renewal of the National Water Initiative
- Meeting International Obligations; and
- Research, knowledge brokering and capacity development

Who is ICE WaRM

ICE WaRM was founded in 2004 as an Australian Government initiative and incorporates a charitable trust. It is recognised globally for leadership and innovation in collaborative approaches to capacity development for water management and sustainable economic development. ICE WaRM's purpose is to provide an international gateway to Australia's policy, education, training and research expertise in water as well as support international collaboration between governments, institutions, researchers and businesses. ICE WaRM's vision is the progressive realisation of United Nations Sustainable Development Goal (SDG) number 6 and the water related elements of the other SDGs. ICE WaRM's mission is to develop capacity, capability and confidence for the sustainable management and use of water resources, and access to safe drinking water and sanitation.

ICE WaRM delivers knowledge brokering, learning and capacity development programmes through the *Australian Water School*. ICE WaRM's international focus is working in partnership with governments and government institutions to develop institutional capacity in water policy, governance and regulation with a focus on implementation strategies.

A key area of international interest is Australia's approach to establishing a long-term political commitment to reform between the federal government and state (or provincial) governments. There is strong interest in Australia's journey with the 1994 Council of Australian Governments (CoAG) Water Reform Framework, the 2004 NWI and Murray Darling Basin Plan and operation. There is also strong international interest in conjunctive water use, water sensitive cities policies and practice and in the regulation of water services and sanitation.

Renewal of the National Water Initiative

The case is compelling for renewal of the NWI. The draft report highlights elements of the NWI that have not yet been implemented by states and territories. Agreement on further reform must address inconsistencies and confusion in some areas. This includes the exemption from water for mining and energy, conjunctive water use, and the inter-connectiveness between water and energy – often referred to as the Water-Energy Nexus. The Water-Energy Nexus is a key focus of reform with the development of concepts for pumped hydro for electricity generation impacting environmental flows and the increasing use of energy in the treatment, transportation and use of water. Development of evidence based policy is essential and will require investment in collaborative policy research which would be more efficiently coordinated at a national level.

In regard to water supply and sanitation for urban centres, the 2004 NWI deliberately provided only a "light touch" to the urban water reform agenda as the timing coincided with the major reforms of water service providers through corporatisation, outsourcing and the establishment of economic and technical regulators. In some jurisdictions corporatised utilities (providing water and wastewater services) have shown exemplary leadership in progressive policy reform. Often pushing current policies and regulatory limitations.

Australia requires a new national framework for reform and regulation of the urban sector not only in addressing the challenges of population growth, climate change and changing community expectations as highlighted in the draft report, but also in urban population drift, densification of urban living, liveability and urban ecology. Urban policy, planning and regulation of Integrated water cycle management (IWCM) requires a broader, integrated, policy and regulatory framework that will guide ongoing reform and allow for innovation and market based solutions for new products and services. Such a framework should extend beyond capital cities to all urban areas.

It is recommended that the review consider adopting the IWA Principles for water wise cities. Australia has had a leading influence in informing and framing the principles to guide urban policy, regulators, planners and service providers to ensure water is integrated in planning and design in cities to provide increased "*resilience to climate change, livability, efficiencies, and a sense of place for urban communities*". The IWA Principles are at http://www.iwa-network.org/wp-content/uploads/2016/08/IWA_Principles_Water_Wise_Cities.pdf and attachment A.

Regulation in Australia is siloed with (1) economic regulation for drinking water and wastewater, (2) technical regulation, (3) environmental regulation and (4) public health regulation often presenting uncoordinated and conflicting objectives on water service providers. This siloed regulatory environment has a negative impact on efficiency, customer value and community aspirations. A national regulatory framework is required across the four silos which establishes the principles of economic regulation for both drinking water and wastewater and other key water services of IWCM including recycled water, stormwater, groundwater. The regulatory framework should consider the social and environmental costs and benefits in addition to the value for customers of drinking water supply and sanitation services. Existing arrangement for inconsistent state and territory based economic and technical regulation constrains innovation, competition and the meeting of broader community aspirations on IWCM.

The construct for a national framework could be informed by the International Water Association's 2016 Lisbon Charter are available at http://www.iwa-network.org/downloads/1428787191-Lisbon_Regulators_Charter.pdf and attachment B. This charter has been helpful in informing national regulatory frameworks and has been developed in conjunction with international regulators.

Feedback from Australia's journey and ICE WARM's international work is that a reasonable timeframe for substantial complex reform is 5 to 10 years. That is, our reform agenda designed today must address the challenges Australia will experience over the next decade before issues become critical as evidenced by the lag for good energy policy which addresses today's energy technologies and markets in Australia.

There has been much written about the success of the 1994 CoAG Water Reform Framework, supported by competition policy reform grants, and the subsequent 2004 NWI, supported by the National Water Commission (NWC) and Federal funding. The reform governance, established by CoAG has been widely seen as highly successful. Since the wind up of the National Water Commission in 2015 the implementation of NWI reforms has rapid slow down, and in some cases (such as compliance) are backsliding.

Establishment of a new independent body, with support of Federal, state and territory jurisdictions reporting to CoAG is critical to provide to oversight multi-decadal reform. Current water reform and performance reporting functions of the Productivity Commission and the Bureau of Meteorology would be complimented by such an independent body focused on national policy frameworks and implementation. The next wave of Australia's water reform journey will require leadership, authority and transparency along with the capacity to address information, knowledge and capability gaps.

Meeting International Obligations

Australia is a signatory to the United Nations SDGs. The United Nations Secretary-General and President of the World Bank Group convened a High Level Panel on Water (HLPW), consisting of eleven Heads of State and Government, including Prime Minister Malcolm Turnbull, and one Special Adviser. The work of the HLPW is to:-

“provide the leadership required to champion a comprehensive, inclusive and collaborative way of developing and managing water resources, and improving water and sanitation related services.

The core focus of the Panel is the commitment to ensure availability and sustainable management of water and sanitation for all, Sustainable Development Goal (SDG) 6, as well as to contribute to the achievement of the other SDGs that rely on the development and management of water resources.”

SDGs are not only for developing countries – but all countries. Australia is providing a leading role in a number of areas for the HLPW but it is essential that Australia undertake a process to establish the gap for SDG 6 between “current state” and the “desired state” at 2030. A key recommendation of the Inquiry must be to undertake an assessment of the gap. Without the gap analysis and a plan to close the gap, we cannot be assured Australia will deliver on our SDG commitments for water.

Similarly, Australia's obligations for HRWS are not understood in terms regulatory frameworks. This is evidenced in the Productivity Commission's assessment for the key indicators for Overcoming Indigenous Disadvantage and the annual report by the Prime Minister Overcoming Indigenous Disadvantage.

In both reports access to safe, affordable drinking water supply and sanitation is not measured, evaluated or reported. The gap in access to drinking water supply and sanitation for Indigenous people is not reported in many jurisdictions for smaller centres and is unknown. The last national survey which included access to water supply and sanitation for remote and regional communities under 50 people was in 2006 through the Commonwealth Community Housing and Infrastructure Needs Survey (CHINS). The CHINS did not address the suitability of water for drinking water but it did place of spot light on access to water and sanitation for remote communities that no longer exists.

Research, knowledge brokering and capacity development

Australia's success in the implementation of the 1994 CoAG Water Reform Framework and the subsequent 2004 NWI was achieved through substantial investment by the Federal, state and territory governments in policy, science, regulation, practice and capacity building.

Estimates of \$1 billion invested over 10 years from 2004 to 2014 in research, knowledge brokering and capacity development have been quoted from investments by the Commonwealth Government through the National Water Commission, research centres and by state and territory governments.

The Cooperative Research Centre (CRC) programme funded five water focused CRCs during the period of the 1994 CoAG Water Reform Framework implementation and some through the 2014 NWI implementation. In addition, the Federal Government funded the Land and Water Australia research programme, the Commonwealth Scientific and Industrial Research Organisation invested heavily in water science and policy which built skills, capability and knowledge necessary for the design and implementation of the reforms.

Australia has been well serviced by this investment in informing both policy development and providing a pipeline of skilled and capable people to implement and operationalise the policy reforms.

Future reform will require a similar coordinated investment in research, knowledge brokering and capacity development.