

# **Rural Water Use and the Environment - The Role of Market Mechanisms**

## **Submission from Emerald Shire Council (ESC) Queensland**

The following submission give a brief overview of how ESC currently fits within the water environment of Central Queensland and responds/comments on a number of issues within the Issues Paper both directly and as a third party with externality concerns as defined in the Issues Paper.

### **Overview**

Emerald is located in Central Queensland, in the Comet-Nogoa-Upper MacKenzie River system sub-region of the Fitzroy River Basin.<sup>(1)</sup> Emerald has a rapidly growing town population of approximately 12,000 within a total Shire population of approximately 15,000. The town is currently expected to grow by at least another 3,000 people over the next 5 years due to the massive development of coal mining and associated industry throughout Central Queensland.

Emerald draws its domestic supply from the Nogoa River (fed by the Fairbairn Dam). The town has a total allocation of 5,700MI/a. Council continues to be proactive with efficient use of water, with a Waterwise Campaign which commenced in 1990.

In 1990 the town was averaging 1300 l/p/day with total use peaking at 14MI/day. By 1994 through the above campaign, the average use had dropped to 860 l/p/day with peaks of similar magnitude. In 2005/06, even with significant population and industry growth since the early 1990s, our average is still remaining at reasonable level (approximately 850 l/p/day), however peak demand can be as high as 19 MI/day.

Council, through permanent water restrictions (ie sensible water use policies) continues to actively manage supplies in an efficient manner.

### **Water Pricing**

The following water pricing is common to the Emerald area:

- ESC - purchases from Sunwater at \$68/MI  
- sells treated water to consumers (2 part tariff) @ \$700/MI  
- new State Government water tax will add another \$15/MI from 1/7/06
- Irrigation - purchases from Sunwater @ \$26/MI  
- new State Government water tax will add another \$4/MI from 1/7/06

Current open market for water trading in the Emerald area:

- ESC - to date Council has ensured excess water has gone to community needs – eg Agricultural College, Golf Course at cost price.
- Irrigation - recent purchase Temporary \$80/MI/a; Permanent \$2000/MI (Medium Priority).
- Coal Mining - recent purchase Permanent \$7500/MI (High Priority)

Emerald Shire continues record growth, at present caused from the massive mining boom, good agricultural development and associated industry and business development. The demand for domestic supplies through urban and industry growth in Emerald and surrounding villages is placing pressure on infrastructure and ensuring ongoing efficient use of available water, including the reuse of sewerage effluent since 1994.

### **Third Party Concerns**

- The taking of “water” out of the value of land. Like most rural councils, ESC rating system values “irrigation land” as a separate rateable agricultural land compared to non-irrigated agricultural land.

This recent change in land valuation has required a review of Council’s rating system and subsequently has flow-on socio-economic issues as other ratepayer types pick-up the lost revenue.

- Land use in rural areas must be sustainable. The removal of water from the land has significant negative affect on the residual lands sustainability and potential negative environmental affects.
- Natural resource management is now a large part of the local government’s responsibilities. Council’s planning scheme ensures appropriate natural development buffers on land around the Fairbairn Dam and where possible adjacent to the Nogoia River system. Further, quality management is also being focused upon with an ongoing effort to improve stormwater quality from urban areas.

### **Future Reforms**

The Commonwealth Government involvement should focus on cross-border issues with major catchments and only set up guiding principles with respect to catchments such as the Fitzroy River Basin where a collaborative approach between State and Local Government is aiming at sustainably managing the Water Supply for Central Queensland (1). This approach emphasises the point that “we can’t produce anymore water than we already have – we must work with what we have!”

With the above in mind, we recommend:

1. review of the pricing regime across all sectors; currently based on historically allocated model; we need a new, more flexible model within each catchment and specifically for that catchment;
2. ensure a level of social equity; “a safety net approach versus a full free market approach”. A balance is required again within each specific catchment to ensure the “highest bidder” (eg mining in Central Queensland) does not acquire all water allocations at the detriment of other sustainable and efficient land use practices.

Reference:

(1) Queensland Government, Department of Natural Resources and Mines; Central Queensland Regional Water Supply Draft Strategy, Dec. 2005. (Copy previously supplied to Productivity Commission representatives 23/1/06)