

NOTE ON WATER POLICY AND MANAGEMENT – JANUARY 2016

Australian water policy and management is the envy of the world but significant challenges remain, with real benefits to be had from staying the course on water reform.

2015 saw drying climatic conditions, combined with ongoing fiscal and policy drivers, contributing to another significant year in relation to water, agriculture and the environment.

This included the emergence and re-emergence of conflicts and concerns regarding the direction and outcomes of water reform. Once again questions are being raised about whether the current approach to water policy, infrastructure and investment in the Murray- Darling Basin, Northern Australia, and in Australia's cities and towns, is worthwhile and working.

At times of pressure and stress it is possible to lose sight of Australia's long history of water reform and the resulting successes. It should be kept in mind that Australia has transformed its approach to water management and use over the past two decades, with real benefits to rural and urban water users, the environment and our economy.

Indeed, much of what we have achieved is the envy of the world – a point underscored recently in London, where Aither was invited to present to UK government and water industry leaders about Australia's water planning, entitlement and market reforms. As the CEO of a leading water utility remarked; 'if the UK could achieve a fraction of what Australia has in this area, then I think we would be very proud'.

Australia should be proud, and we should ensure we recognise and communicate our successes. This is so that we can continue to enjoy the benefits of reforms already implemented, and safeguard against sliding backwards. The legacy of our achievements and the benefits they have provided also make a strong case for staying the course on reforms still to be implemented.



Looking to 2016, longer term trends in both the urban and rural sectors are set to intensify. The urban water sector faces population growth, a drying and more variable climate, rising customer expectations, a lack of scale in regional areas and the need to explore alternative approaches to finance new infrastructure. A strategic response to these issues requires further work on regulatory, governance and service delivery arrangements, including to:

- improve governance to better separate policy setting from service delivery and regulation
- [deliver greater value for customers and increase real efficiency \(not just cost cutting\)](#)
- clarify the roles and objectives for the sector in areas such as the delivery of liveable cities
- explore innovative approaches to finance new investments in water infrastructure in light of budgetary pressures at the state and federal level.

In the Murray Darling Basin, ongoing El Niño conditions combined with water supply and demand pressures will continue to drive structural change and present challenges and opportunities for different industries and regions. Major policy issues in 2016 can be expected to include

sustainable diversion limit adjustments, [Commonwealth Environment Water Holder trading](#), environmental water optimisation, constraints management, and the need for improved market information and operation.

A number of current policies and proposals seek to expand irrigated agriculture in different parts of the country. This includes the Australian Government's plan for developing northern Australia. It is critical that any new water infrastructure underpinning this development is economically and environmentally sustainable. [Understanding the full costs and benefits of new infrastructure](#) is crucial to inform investments that deliver the best outcomes for Australia, and the approach developed should be consistent with the planning, market and regulatory reforms agreed under the National Water Initiative.

A response is long overdue to meet the challenge of improving the safety and reliability of water supplies to remote communities – including many small Indigenous communities across northern and central Australia. Australia is a world leader in the application of small scale water supply, desalination and water treatment technologies; however issues related to regulatory responsibility, service standards,

funding and ongoing management need to be resolved in order to develop sustainable water supply solutions in these areas.

Aither looks forward to contributing to addressing these and other issues in the coming year. We draw on decades of collective experience delivering services across Australia's urban and rural water sectors, including in policy and strategy development and review; economic appraisal; water market analysis; infrastructure pricing, cost recovery and economic regulation; and performance monitoring and improvement frameworks.



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