



**WATER SERVICES ASSOCIATION
OF AUSTRALIA**

9 August 2007

Mr Ian Holland
Secretary
Senate Environment, Communications, IT and the Arts Committees
PO Box 6100 Parliament House
Canberra ACT 2600

Dear Mr Holland

Senate Inquiry into Water Bill 2007

The Water Services Association of Australia (WSAA) is the peak body of the Australian urban water industry. Its 30 members provide water and sanitation services to 16 million Australians and New Zealanders, in addition to many of Australia's largest industrial and commercial enterprises.

WSAA was formed in 1995 to provide a forum for debate on issues of importance to the urban water industry and to be a focal point for communicating the industry's views to the public. WSAA provides a national focus for the provision of information on the urban water industry to all interested parties.

Full WSAA membership is available to water utilities that provide water and/or sewerage services to 50,000 or more customers (i.e. service connections), either directly as retailers or indirectly as wholesalers.

WSAA welcomes the opportunity to comment on the Water Bill 2007 currently before Parliament. While WSAA has not had the opportunity to have more than a cursory consideration of the Bill, the Association acknowledges that water from the Murray Darling Basin is predominantly extracted by irrigators.

WSAA understands that the Bill is generally about rural use of water and we support a national and coordinated approach to managing water resources in the Murray Darling Basin, which is the intent of the Water Bill 2007. It could well be that the issues raised in this submission are already covered by the Bill and we have over looked them in our haste to prepare a submission.

WSAA believes that from an urban water perspective a number of points are not immediately apparent in the Bill.

- It is not immediately apparent that the Bill recognises that some major urban centres rely on water from the Murray Darling Basin. For example, 95% of South Australia's population rely on water supplies from the river Murray. This population is based in towns along the river or draw water from the river by pipelines. For many of these people there are no viable alternative water supplies. While the volumes of water extracted for urban use are small compared to those extracted by irrigators, it is of critical importance and their source entitlement ought to be recognised in the Bill. The bottom line is that the volume of water to meet critical urban water needs (i.e. only household water use) for towns in NSW, Victoria and South Australia which is drawn from the river Murray is about 330 gigalitres or less than 0.5% of water extracted from the river in a normal year. If this proportion of water cannot be extracted for critical urban water needs, the state of the river must be in a truly desperate situation.
- The current drought has highlighted deficiencies in the Murray Darling Basin Agreement because the States had to set aside the terms of agreement in order to guarantee that minimum critical urban water needs for 2007-08 could be met. Accordingly, there is a need to take a more conservative approach in the management of the Murray Darling Basin and to specifically address the need to guarantee critical human needs for water during periods of severe drought. Urban water use requires a higher level of water reliability as we cannot afford the cities and towns in the Murray Darling Basin to run out of water.
- The need for greater prudence in the allocation and extraction of water leads to a further point. WSAA notes that the sustainability caps included in the Bill only come into effect demonstrably too far into the future. The water industry may well be the canary in the mine in respect of the impacts of climate change. The recent yield performance of Australia's dams has been savaged by the decade long period of below average rainfall. If the inflows to dams experienced over the last three to four years is a portent of a step change in Australia's climate, putting off desperately needed action for the Murray Darling Basin by another two decades does not seem prudent.
- It should also be noted that the previous cap for the Murray Darling Basin was set in 1995 and set the operating framework in 1996. While there has been considerable progress in implementing the cap in South Australia and Victoria, as of late 2006 cap arrangements were not finalised by the ACT, Queensland and the border rivers and related streams in NSW. Sadly, there is a previous record of underachievement here and placing new caps too far into the future will only encourage history to be repeated.
- With respect to water markets, WSAA suggests that the Bill clearly articulate that no purchasers should be barred from participating in the market and that sellers should not be inhibited by mechanisms such as exit fees. The ultimate use of the water resulting from water trading should be left to be resolved by the market and not by policy interference.
- Finally Part 3 of the Bill sets out a number of principles for water charging. WSAA welcomes the Bill's aim that water charges in the rural water sector ought to continue to move towards upper bound pricing. The days of thinking that urban and rural water systems should be managed in different paradigms are over.

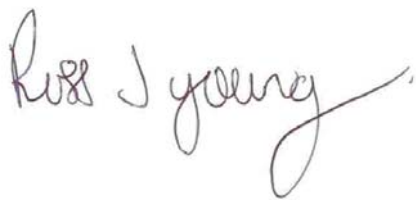
WSAA also acknowledges that principles are, by nature, pitched at a high level of generality. Nevertheless, WSAA believes that some additional clarity ought to be included in these principles. Most importantly, the principles ought to clarify that the infrastructure funded by the Commonwealth ought to be included in the asset values on which returns should be earned for bulk water drawn from the Murray Darling Basin; regardless of

whether that bulk water is drawn for urban use or by irrigators. Secondly, the principles currently provide an escape clause in the event that correct water charging cannot be brought to bear for irrigators: a quantified and transparent community service obligation payment.

- While WSAA supports the use of a transparent community service obligation as one option, it believes that a second option should also be available which involves retiring assets if there is no community service obligation forthcoming bridge the gap between actual water charges and the upper bound price.

In conclusion, I should like to thank the Senate Environment, Communications, IT and the Arts Committee for the opportunity to put WSAA's views regarding the Bill. I would be happy to clarify any issues arising from this brief submission.

Yours sincerely

A handwritten signature in dark ink, reading "Ross Young" with a stylized flourish at the end.

Ross Young
Executive Director