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ASSOCIATION OF RURAL WATER AUTHORITY

ur Ref. AR06/0002

6 July 1999

Goulburn
**Murray
Water**

Mr Herb Plunkett
Assistant Commissioner
Impact of Competition Policy Reforms inquiry
Productivity Commission
PO Box 80

**Southern
Rural
Water**

BELCONNEN ACT 2616

Dear Mr Plunkett

**Sunraysia
Rural
Water**

**IMPACT OF COMPETITION POLICY REFORMS ION RURAL
AND REGIONAL AUSTRALIA,
DRAFT REPORT BY PRODUCTIVITY COMMISSION**

**Wimmers
Mallee
Water**

I refer to the Association of Rural Water Authorities (ARWA) submission dated 6 November 1999 to the Productivity Commission's Inquiry into the Impact of Competition Policy Reforms on Rural and Regional Australia and the invitation for comments on the Commission's draft report of May 1999 regarding this matter.

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Mildura
Irrigation
Trust**

ARWA generally commends the draft report. It is easy to read and provides clear explanations of many aspects of competition policy which are frequently misunderstood.

Specific comments are made by AWWA in regard the following parts of the report:-

1. Accountin *for transmission losses* - Pages 133 and 134 of draft reeport
The concept of reflecting transmission losses in irrigation and water pricing structures is rejected.

It is considered that defined water system areas should be regarded as whole entities and transmission loses should not be reflected in pricing for the following reasons:-

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- . The practical and engineering difficulties in precisely measuring losses in different sections of water system areas, Losses do not necessarily occur on a uniform basis across a system due to variables such as soil type, topography, climate and operational expertise.
- . Differential accounting and recording requirements potentially loading to increased costs.
- . Net productivity of water, even allowing for any cost transmission losses, is not necessarily lower in downstream areas.

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The potential impact on communities (ie "public interest") who currently accept the appropriateness of rating charging on an overall area basis (eg municipal districts) and are generally concerned about differential charges (eg telecommunications costs).

P.03

2. Investment appraisal – pages 134 and 135

The comment that general NCP provisions do not necessarily prevent government investment in dams for legitimate social reasons is welcomed.

In virtually in all cases, existing or new major dams are, or will be, used for community recreation purposes. The prevention of public access to major irrigation and water supply dams is not practically feasible (eg prohibited cost of fencing; community rejection of concept),

It needs to be recognised that there are costs associated with public recreational use of dams and these costs should be recouped from all users - not just customers of water authorities. Therefore, it is considered that government contributions via some form of Community Services Obligations (CSOs) appear to be an appropriate way of meeting these costs. It is considered that these principles should be applicable for both existing and new dams.

Also, in some circumstances increased standards are required for major dams to provide enhanced safety for downstream communities. These standards are beyond the level that water users would be prepared to pay from an economic risk perspective. In cases of this type government contribution of behalf of the community is appropriate.

3. Timetable for water reform page 13 7

In regard to your recommendation that consideration be given to the formal extension of the rural water reform timetable for the implementation of water property rights and environmental allocations, it is emphasized that these are important reforms which should not be deferred indefinitely.

Any financial rewards for reforms (eg tranche payments) should be based on outcomes - not intended results. It is important that those jurisdictions who have acted within current COAG timeframes should not be comparatively disadvantaged by any extension of the implementation timetable. Therefore, if the extension recommendation is accepted, it is, considered that the jurisdictions which have implemented these fundamental reforms within the current timeframes should receive any tranche payment benefits in line with the initial proposals. However, the rewards for other areas where delay has occurred should be deferred until the required reforms are ultimately implemented.

ARWA thanks you for the opportunity to further contribute to this matter.

Yours sincerely

LUKE REDDAN
Secretary
Association of Rural Water Authorities