

4 Queensland

Outstanding assessment issues

Full cost recovery - urban

Outstanding issue: Queensland is to improve the financial performance of local governments outside the Big 18 with greater than 1000 connections in line with CoAG pricing principles.

Next full assessment: The Council will assess urban pricing reforms in 2003.

Reference: Water reform agreement, clause 3(a)

Background and Queensland arrangements

Services with more than 5000 connections, outside the big 18

The 2001 National Competition Policy (NCP) assessment reported that in 1999-2000 five water businesses and seven wastewater businesses earned sufficient revenue to recover all elements of the Council of Australian Governments (CoAG) pricing guidelines lower bound (except tax equivalent payments). Of the local governments in the group that did not recover the lower band:

- Mount Isa would apply full cost pricing from 1 July 2001;
- Redcliffe was undertaking another assessment of full cost pricing;
- Burdekin and Cooloola were yet to make a decision; and
- Johnstone decided not to apply full cost pricing.

At that time, the Council also anticipated that the Local Government Association of Queensland and the State Government would, as a priority, work with Redcliffe, Burdekin and Cooloola to ensure they have sufficient information to make a decision before the 2002 NCP assessment.

All local governments with more than 5000 connections, but outside the big 18 have now implemented, or are committed to implementing full cost pricing. Mount Isa, Cooloola, Livingstone, Beaudesert and Burnett

implemented all elements of full cost pricing as at 30 July 2001. Redcliffe, Gladstone, Maryborough, Johnstone, Warwick and Burdekin have resolved to implement full cost pricing by 30 June 2003 using a phased approach as recommended by the BMAP program.

Services with between 1000 and 5000 connections

For local governments with between 1000 and 5000 connections the Council's 2001 NCP assessment noted that there were still a significant number of local governments that were either still considering full cost pricing or that had decided not to introduce full cost pricing. For these service providers the Council said it would look for the Queensland Government's Business Management Assistance Program (BMAP) to promote CoAG pricing principles, and assist local governments to improve their financial performance.

The Queensland government has reported a significant improvement in reform implementation by these local governments (see table 4.1). All but one decided to implement full cost recovery.

Table 4.1: Local government services with between 1000 and 5000 connections

<i>Local government commitment</i>	<i>2000-01 (number of councils)</i>	<i>2001-02 (number of councils)</i>
Have implemented full cost pricing	2	4
Will implement full cost pricing	11	36
Considering full cost pricing	23	0
Not considering full cost pricing	7	1

Source: Queensland Government (2002, unpublished)

There are 125 local governments in Queensland. Of these only six have neither implemented water reforms nor committed to their implementation by 2003. Of these six, Balonne has 1450 water connections and the remaining five are small service providers with less than 1000 connections.

Discussion and assessment

Queensland has achieved a high degree of success through the BMAP program. While there has not been full implementation by all local governments there have been substantial gains in the level of implementation since the program commenced. There has also been a substantial increase in the level of understanding within local government about the reforms and their benefits.

The Council considers that Queensland has met its 2002 NCP commitments for the implementation of full cost recovery by local government. In 2003 the Council will review whether implementation has been progressed consistent with the resolutions made by local governments to further pursue reform over the next 12 months.

Full cost recovery – water boards

Outstanding issue: The Council will review levels of cost recovery, including rates of return, following corporatisation of Gladstone Area Water Board, Townsville-Thuringowa Water Supply Board and Mount Isa Water Board.

Next full assessment: The Council will assess urban pricing reforms in 2003.

Reference: Water reform agreement, clause 3(a)

Background

At the time of the Council's 2001 NCP assessment the information on cost recovery levels for Gladstone Area Water Board, Townsville-Thuringowa Water Board and Mount Isa Water Board was only available for the period prior to commercialisation.

The Council's assessment noted that it would look for competitive neutrality adjustments such as tax equivalents, and commercial rates of return in the 2002 assessment.

Queensland arrangements

Gladstone Area Water Board

On 14 September 2000, the Premier and Treasurer issued a declaration and referral notice under the *Queensland Competition Authority Act 1997* initiating an investigation of the pricing practices of the Gladstone Area Water Board. The Queensland Competition Authority (QCA) was also directed to consider the weighted average cost of capital proposed by the Gladstone Area Water Board, appropriate pricing for excess capacity and capacity augmentation, and identification and pricing of any contributed assets.

On 1 October 2000, the Gladstone Area Water Board introduced new pricing practices based on CoAG principles of full cost recovery and consumption based pricing. These pricing practices have been implemented for some customers, including the Gladstone City Council and Calliope Shire Council and interim arrangements pending finalisation of the QCA report have been introduced for others. However, many users are still bound by long term contractual arrangements set under the previous pricing policy.

The QCA's draft report contains a series of detailed recommendations regarding the components of the Gladstone Areas Water Board's pricing methodology. At the aggregate level, implementation of the QCA's recommendations would see Gladstone achieve a positive operating profit by 2005-06. However, achievement of this profit remains very sensitive to actual demand for water.

The QCA's draft report was publicly released in November 2001 and is available on the QCA website (www.qca.org.au). The closing date for submissions on the draft report was 25 January 2002 with a final report expected by mid-2002.

Table 4.2: 2000–01 audited financial results – Gladstone Area Water Board

	<i>Operating Revenue</i> \$M	<i>Expenses</i> \$M	<i>EBIT</i> \$M	<i>Interest</i>	<i>Tax/TERS</i> \$M	<i>Dividends</i> \$M	<i>Assets^a</i> \$M	<i>ROR</i> %
GAWB	15.825	13.455	3.627	2.396	1.028	1.5 ^b	243	1.49

^a At 30 June 2001

^b The dividend of \$1.5M relating to the 2000-01 financial year was not paid until December 2001.

Note – Tax equivalent and dividend payments are returned to local government customers of GAWB. GAWB is subject to prices oversight by the QCA.

Source: Queensland Government (2002)

Mount Isa Water Board

As noted by Queensland in its 2001 NCP annual report, the Mount Isa Water Board charges for water on the basis of a two-part tariff arrangement. There were no changes to the Board's pricing policy in 2000-01, and no increase in its limited customer base.

Table 4.3: 2000-01 audited financial results – Mount Isa Water Board

<i>Service Provider</i>	<i>Operating Revenue</i> \$M	<i>Expenses</i> \$M	<i>EBIT</i> \$M	<i>Interest</i>	<i>Tax/TERS</i> \$M	<i>Dividends</i> \$M	<i>Assets^a</i> \$M	<i>ROR</i> %
MIWB	6.092	5.487	1.588	_ ^b	0.407	0.313 ^c	43.653	3.64

^a At 30 June 2001

^b MIWB has no debt

^c Provision for dividend. No actual dividend payment made. Capital restructuring resulting in a special dividend will be effected in 2001-02.

Note - Tax equivalent and dividend payments are returned to local government customers of MIWB. MIWB is subject to prices oversight by the QCA.

Source: Queensland Government (2002)

NQ Water

An update on the commercialisation of the Townsville–Thuringowa Water Supply Board is provided in the progress report on NQ Water’s commercial focus.

The financial statements currently available to the Council relate to the operation of the Water Supply Board prior to commercialisation, when no competitive neutrality adjustments were made. It is anticipated these adjustments will be made to the 2001-02 results following the application of full cost pricing principles.

Table 4.4: 2000-01 audited financial results – Townsville–Thuringowa Water Supply Board

	<i>Operating Revenue</i> \$M	<i>Expenses</i> \$M	<i>EBIT</i> \$M	<i>Interest</i>	<i>Tax/TERS</i> \$M	<i>Dividends</i> \$M	<i>Assets</i> \$M	<i>ROR</i> %
TTWSB	27.852	27.711	0.141	n/a	n/a	n/a	187.257	0.08

Note - The Government has instigated the process for declaring the TTWSB subject to the State's prices oversight regime.

Source: Queensland Government (2002)

The methodology used to calculate the rates of return for the Gladstone Area Water Board, Mount Isa Water Board, and the Townsville–Thuringowa Water Supply Board mirrors the method used by the QCA. The method correlates with the principles of full cost pricing as published in *“Full Cost Pricing in Queensland Local Government – A Practical Guide”*.

Discussion and assessment

The information provided indicates that prices for both Gladstone Water Board and Mount Isa Water Board include competitive neutrality adjustments and a positive rate of return, and have met 2002 NCP commitments.

The information provided for the Townsville–Thuringowa Water Board is prior to commercialisation. The Board has indicated its intention, however, to comply with the CoAG full cost recovery obligations. For the 2003 NCP assessment, the Council will review more recent (post commercialisation) information for NQ Water to ensure that full cost recovery has been achieved.

Consumption-based pricing

Outstanding issue: Queensland is to demonstrate progress on Townsville's two-part tariff arrangements.

Next full assessment: The Council will assess urban pricing reforms in 2003.

Reference: Water reform agreement, clause 3(b)

Background

The Council recognises that the benefits from two-part tariffs in stimulating more economical water use and deferring investment are likely to be greatest for the largest service providers. Therefore, it is concerned about the lack of progress by Townsville, one of Queensland's largest local governments.

In a June 2000 NCP supplementary, the Council recommended that 5 per cent (or \$4.3 million) of Queensland's payments be withheld due to insufficient progress by Townsville and two smaller local governments. This suspension was lifted in January 2001 when Townsville agreed to bring forward formal resolution of this matter to June 2001.

In the 2001 NCP assessment, the Council recognised that the Queensland Government had been proactive in progressing reform at all levels of local government. The Business Management Assistance Program, designed to assist small local governments to implement reform, is a good example of this. The State Government also worked with larger local governments, including Townsville, to encourage a rigorous approach to considering water reforms.

For the 2001 NCP assessment, the Townsville Council failed to demonstrate that it had objectively analysed the cost effectiveness of two-part tariffs and provided a public interest justification on why it would not implement price reforms. Two years had passed since the Council first expressed its concerns and these matters were still to be resolved. Consequently, the Council recommended a permanent reduction in Queensland's competition payments of \$270 000 from 2001-02. This amount reflects an approximation of the remaining money Townsville was entitled to receive through the Queensland Government's Financial Incentives Package for local governments who undertake reform.

The Council chose this approach to reflect the Queensland Government had proactively encouraged reform, where it is in the public interest. However, Townsville has failed to assess objectively the cost effectiveness of two-part tariffs, consistent with the NCP guidelines.

The Council stated it would reconsider Townsville's approach to two-part tariffs in its 2002 NCP assessment. At that time it would look at both progress made by Townsville and the Government's efforts to resolve the issue. It would then reconsider whether a continued reduction in NCP payments is warranted and the appropriate size of any such reduction.

Queensland arrangements

Townsville City Council has commissioned independent consultants to carry out a second assessment of its two-part tariff pricing policies. The Queensland Government's *Guidelines for Evaluation of Introducing and Improving Two-Part Tariffs* were used as the framework to evaluate the benefits and costs of introducing two-part tariffs.

In January 2002, the Mayor of Townsville wrote to the Queensland Government outlining Townsville's position on two-part tariff arrangements. The Mayor advised that the second two-part tariff cost effectiveness report analysed all the issues pertaining to the issue and recommended against such a pricing structure for residential customers. The two-part tariff report concluded:

- the net present value of the costs of phased introduction of a two-part tariff over a five year period range from \$1.45 million to \$3.5 million depending on the treatment of meter upgrade costs;
- the financial benefits of introducing a two-part tariff for all customers are limited due to extremely high levels of fixed, non-volume related costs – these costs are up to 95 per cent of the budgeted costs of supplying water;
- the only significant financial benefit is increased revenue (a maximum of \$84 000 per year) from upgrade of the meter fleet. The net present value of this increase in revenue is estimated at \$1.2 million over a 20 year period; and
- the benefit/cost ratio is between 0.34 and 0.83.

The two-part tariff report also listed other public interest reasons for not recommending the implementation of a two-part tariff for residential customers, including:

- major reductions in demand by middle and high users would significantly impact on the corporate vision of Greening Townsville;
- further investigation is required to mitigate an expected high level of impact on various customer groups;
- reducing water use would force prices to rise further due to the high level of fixed costs; and
- the stability of revenue is of concern due to the unknown level of initial impact on demand resulting from the price increases.

The findings of Townsville's second report are currently being assessed by the QCA as part of its assessment of local governments' progress in implementing competition reforms under the *Local Government Financial Incentive Payments Scheme*. The QCA has advised it will assess whether Townsville's second report meets the requirements set down in the Government's

Guidelines for Evaluation of Introducing and Improving Two-Part Tariffs and whether the recommendations rejecting the implementation of two-part tariff arrangements for the residential sector are supported by rigorous analysis. The QCA review has not yet been completed, however, the Government have undertaken to inform the National Competition Council of the QCA's findings on completion of the review.

Discussion

The Council requests copies of all cost effectiveness studies that recommend against implementing two-part tariffs for water and sewerage service provision, or where the recommendation to implement is rejected by the provider. Consistent with this practice, the Council has reviewed a copy of the two-part tariff cost effectiveness report for Townsville and raised several potential concerns with the Queensland Government.

- Whether the estimates of price increases include both two-part tariffs and the move to full cost recovery.
- Whether the meter replacement costs and revenue gains take into account that meters will need to be replaced anyway.
- The 'Greening Townsville' objective seems to imply that any reduction in water consumption would mean that two-part tariffs would not be adopted.
- The lack of cost savings is based on the premise that NQ Water does not volumetric price.

The Council noted in previous Queensland NCP annual reports it is stated that NQ Water has a volumetric pricing arrangement in place. The Council requested specific information on whether NQ Water does volumetric price and whether the pricing policy provides customers with an incentive to reduce consumption. The Queensland Government is aware of these concerns, and has confirmed that the QCA will consider them as part of its review of the two-part tariff study.

Assessment

There has been some progress on this issue since the 2001 NCP assessment, and the Council supports the Queensland Government's decision to have the QCA review the second Townsville study. It has now been three years, however, since the Council first expressed its concern that Townsville had not resolved the outstanding consumption-based pricing issue.

In the 2001 NCP assessment, the Council recommended a permanent reduction in Queensland's NCP payments of \$270 000 from 2001-02 until two-part pricing is introduced, or satisfactory evidence is provided to the

Council to demonstrate that consumption-based pricing would not be cost effective. This outcome has not been achieved. For this assessment, Queensland has yet to satisfy the Council that it has met NCP obligations in relation to the application of two-part tariffs for urban water supplies in Townsville. The implications of this issue for Queensland's NCP payments are considered in the Council's findings and recommendations section in volume 1 of the NCP assessment report.

Queensland's request for the QCA to review Townsville's two-part tariff report and to specifically consider the concerns raised by the Council indicates the Government's commitment to resolving this issue. The Council will look at this review, and the responses of both the Queensland Government and Townsville Council, in the 2003 NCP assessment of urban pricing reform.

Consumption-based pricing – trade waste charges

Outstanding issue: Rigorous consideration of the introduction of trade waste charges by Queensland local governments where cost effective.

Next full assessment: The Council will assess urban pricing reforms in 2003.

Reference: Water reform agreement, clause 3(b)

Background

For the 2001 NCP assessment, the Council understood that some local governments levied trade waste charges but no details of these charges had been provided. The Council stated that it would further consider the issue of trade waste charges in the 2002 NCP assessment.

Queensland arrangements

Queensland have advised that the *Environmental Protection Act 1994* and the *Environmental Protection (Waste Management) Policy 2000* require local governments operating sewerage systems to have begun implementation of a trade waste environmental plan by 30 June 2002. To support this legislation the Department of Natural Resources and Mines has produced a model trade waste environmental plan, a copy of which has been provided to the Council. The model plan is a best practice management framework based on four policy instruments:

- sewer admission limits (acceptable concentration/mass limits for sewerable wastes);

- conditional trade waste approvals (permits for smaller generators and agreements for larger generators);
- “user pays” pricing (based on volume and strength of discharge); and
- effluent improvement programs.

Local governments are encouraged to cost their trade waste services on a full cost recovery basis. The full cost of collecting, treating and administering trade waste from trade waste generators through charges and fees is set on a user pays basis. All local governments must have begun implementing and complying with the trade waste environmental plan by 30 June 2002 if they operate a sewerage business. Advice from the Department of Natural Resources and Mines indicates that the model plan has widespread industry support and is seen as the benchmark for sewerage business pricing throughout Queensland.

Box 4.1: Model trade waste environmental plan – trade waste charges

The plan suggests a number of different approaches to the structuring of trade waste levies and charges. Generally, the preferred approach is to segment trade waste generators into consumer segments according to their demands on the sewerage system. To this end most local governments divide their trade waste generators into:

Category 1 users – Low flow, Low strength, generally smaller commercial concerns;

Category 2 users – Low strength, high flow, medium to larger operators; and

Category 3 users – High strength, high impact manufacturing and industrial concerns.

Some local governments choose to further segment category three into high strength/low flow and high strength/high flow consumer segments. For example, Brisbane City utilises this fourth customer segment. These segments then pay differing fee schedules:

Category 1 users:

- a fixed annual charge that includes the cost of administration and overheads, the transportation and treatment of domestic grade waste, and the costs of compliance and inspection.

Category 2 users:

- a fixed annual charge that includes the cost of administration, overheads, inspection and compliance testing; and
- a variable periodic charge based on the volume of trade waste generated.

Category 3 users:

- a fixed annual charge that includes the cost of administration, overheads, inspection and compliance testing;
- a variable periodic charge based on volume and quality of the waste, taking into the number, type and concentration of pollutants released into the sewerage system; and
- a further unit charge is applied for quantities of particular nominated pollutants depending on the individual business (typical pollutants mentioned are phosphates, total organic carbons, chemical oxygen demand).

Source: Queensland Government (2002, unpublished)

Given the variety of charging methods used by local governments¹, it is difficult to compare the different charging regimes. However, an analysis by the Department of Local Government and Planning found that 15 of the big 18 local governments were currently operating a charging structure similar to the Department of Natural Resources and Mines model trade waste environmental plan. The remaining three were in the process of adopting a policy and pricing structure very similar to the plan.

The Council sought further information from Queensland to demonstrate that local governments outside the big 18 have undertaken rigorous consideration of the introduction of trade waste charges. The Department of Local Government and Planning has conducted a telephone survey of 14 medium sized regional local governments considered to be potential locations for major trade waste emitters.² The local governments surveyed were selected due to the likely presence of one or more sugar mills, abattoirs, piggeries, large feed lots or mineral processing plants. The survey found these operations do not generally discharge to sewers and do not factor as major trade waste emitters.

Where local governments do serve major waste emitters the model trade waste environmental management plan has been adopted, and pricing based on volume and strength of discharge occurs. To summarise the survey results:

- seven local governments have implemented the model plan;
- three local governments are in the process of implementing the model plan before the end of the calendar year;
- one local government is reviewing the plan with a view to implementation by 30 June 2003;
- two local governments could not respond to the survey; and
- one local government has not yet responded to the survey.

In the four cases where local governments do not yet have the model trade waste environmental management plan in place, the local government officer indicated that no major emitters discharge to sewers within their local government area.

In relation to compliance with the *Environmental Protection (Water) Policy 1997*, the Department of Local Government and Planning intends to survey all 125 Queensland local governments in January 2003 to ascertain the level of acceptance of the model trade waste environmental management plan. This

¹ Charging methods are based on the industrial/commercial composition of local trade waste generators, and the nature of sewerage/treatment systems.

² That is, emitters defined as category 3 emitters under the model trade waste environmental management plan.

survey will be conducted as a part of the normal data collection process for Queensland's 2003 NCP annual report.

Discussion and assessment

The Council is satisfied from the information provided by Queensland that it has a program in place to encourage the adoption of trade waste charges. The program is being implemented by local government and Queensland has a mechanism to review and assess the level of implementation.

The Council concludes that Queensland has met its reform commitments for 2002. In the 2003 NCP assessment, the Council will consider the results of the Department of Local Government and Planning survey of compliance with the Environment Protection (Water) Policy 1997, including assessing the charging structures, particularly among the big 18, to confirm that they do reflect the principle of user pays.

Allocations: Provision for the environment

Outstanding issue: Queensland is developing a new Condamine–Balonne water resource plan. The Council is looking to ensure that the new plan is consistent with CoAG commitments, and that the associated resource operations plan is under way. Queensland should further consider all relevant issues raised in submissions in determining the final plan.

Next full assessment: The Council will assess allocations for the environment in 2004 and provide a stocktake of progress against a jurisdiction's implementation program to identify remaining areas for assessment in 2005 when the program is to be complete.

Reference: Water reform agreement, clause 4(b–f)

Background

In 2001, the Council considered that Queensland had generally met its environmental commitments with the exception of the Condamine–Balonne Basin. The Council found emerging evidence that the basin is a stressed river system.

The Council examined the adequacy of the three options contained in the draft Condamine–Balonne water resource plan (WRP) to address the environmental problems identified. It concluded that if any of the three options were implemented, then it may be appropriate to recommend a substantial penalty in the 2002 NCP assessment for noncompliance with reform commitments.

For the 2002 NCP assessment, the Council was expecting to see that a final WRP for the Condamine–Balonne consistent with CoAG water reform commitments and the associated resource operation plan (ROP) is well under way.

Queensland arrangements

A draft WRP, (formerly referred to as a water allocation and management plan), was released for the Condamine–Balonne Basin in June 2000 for public review and submissions. Some 230 public submissions received on the draft plan have since been collated and considered by the Queensland Minister. On 13 September 2000, the enactment of the *Water Act 2000* established the statutory basis for developing WRPs. On 20 September 2000, in accordance with the new powers given to the Minister for Natural Resources and Mines under the Water Act, a comprehensive moratorium was placed on the starting of any new works on the Condamine–Balonne catchment that would lead to an increase in the taking of water either in watercourses or as overland flow water. This moratorium included a hold on the commencement of new works associated with overland flow development, those relating to the development of existing water licences, and those related to the issue of any new licences.

This moratorium has effectively put an interim cap on the capacity to divert and store water in the basin, while the Government considers all the relevant issues raised in submissions and further stakeholder consultation, to finalise the WRP.

The Government intends that the final WRP for the Condamine-Balonne will be consistent with CoAG water reform commitments. At the time of the writing, the Minister for Natural Resources and Mines was considering the issues associated with the draft WRP, including the option of releasing a new draft plan for public review and submissions. The new draft WRP would be likely to differ substantially from the June 2000 draft WRP, to comply with the requirements of the Water Act and deal with issues raised in submissions and consultations on the June draft. For this reason, a WRP for the Condamine–Balonne Basin will not be finalised until after June 2002.

Further detailed consultation with stakeholder groups since the release of the draft WRP in June 2001 have focused on issues that relate directly to the future implementation of a WRP and preparation of a ROP for the Condamine–Balonne Basin. One of the recent amendments to the Water Act was to expedite the earlier commencement of the resource operations planning process, so consultations undertaken on a draft WRP could be integrated more meaningfully with stakeholder discussions focused on the possible implementation of the WRP via the ROP.

Submissions

Issues concerning the Condamine–Balonne WRP have been received in submissions from Ian Brimblecombe, Chair of the St George Customer Council (2002, submission 4) and the World Wide Fund for Nature (2002, submission 16).

Ian Brimblecombe raised the following concerns about the impacts on irrigators of likely environmental provisions:

The community has serious concerns with the plan as being devastating to local communities both socially and economically. If a solution cannot be found the Council needs to address the issue of compensation to both irrigators and communities ... In my own case, the draft plan would have meant a reduction of over 60 per cent to the water available under my licences. (2002, submission 4)

The World Wide Fund for Nature supports the Council's 2001 NCP recommendations on the Condamine-Balonne WRP. Its submission argues that penalties should be imposed until Queensland commits to achieving sustainable levels of extraction in the basin, including meaningful and adequately funded mechanisms to achieve sustainable levels. Standing by concerns raised in the 2001 NCP assessment with regard to the WRP, the World Wide Fund for Nature made the following arguments.

- The draft WRP does not comply with the Water Act and thus the measures to achieve sustainable use will not be delivered on the ground.
- The Condamine–Balonne Basin has become overallocated only recently and subsequent to intergovernmental agreements, including the CoAG agreement.
- The scenarios under the draft WRP will not result in a sustainable balance between environment and consumptive uses.
- The Government commissioned expert scientific advice on environmental requirements but has ignored that advice in WRP scenarios with no sound justification. The Government is consciously planning to cause significant environmental damage.
- Little attempt has been made to develop strategies and mechanisms to meet recommended environmental flows. (It now appears that strategies are being developed but no formal communication has occurred on the content of such strategies.)
- The Government had not completed its study into economic impacts to justify its position that meeting the environmental flows would cause too much economic impact. Further, the study may be significantly flawed and not provide a sound basis for decision-making. (The study has now been completed but not publicly released.)
- The Government is willing to receive NCP payments but not to invest sufficiently to achieve the reform agenda with acceptable social impacts.
- Monitoring and review mechanisms are insufficient to ensure allocations are adequate and responsive to new information or changed circumstances.

The fund also provided the following arguments in respect of the national principles for the provision of water for ecosystems.

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- *Principle 2.* Irrigator groups have been disingenuously attempting to discredit the scientific basis of allocation decisions and to delay decisions due to imperfect information. Decisions need to be made without perfect science, based on expert opinion and applying the precautionary principle.
 - *Principle 5.* Any solution for this WRP will need to be assessed once details are available. While the Narran Lakes has received significant attention as a Ramsar³ wetland, it is only one of the ecological values in a catchment with many high value wetlands. (2002, submission 16)

Discussion and assessment

The Council considers the Condamine-Balonne WRP is a critical issue for Queensland's compliance with its CoAG water reform commitments. The Council recognises that work is currently underway on attaining appropriate environmental allocations of water in the Condamine-Balonne Basin, including negotiations with the Commonwealth on assistance. Queensland has advised that finalising the Condamine-Balonne WRP is on hold whilst assistance measures are considered by a number of governments.

At the time of writing, the Queensland Government released a salinity hazard map for Queensland's section of the Murray-Darling Basin, including the Condamine-Balonne Basin. The map shows some 26 million hectares of land have the potential to develop significant salinity problems in the next 30-50 years. Extensive public consultation with key stakeholders was underway to develop urgent solutions to the problem. This consultation is to culminate in a forum on 2 August 2002 to discuss solutions. The Government stated that without urgent changes to land practices, serious salinity problems will threaten the environment as well as the existence of towns such as Dirranbandi and St George in the Condamine-Balonne Basin. The Queensland Government has recognised that salinity is but one issue that must be addressed in the broader context of water, vegetation management and land use issues.

Queensland has been discussing a wide range of possible options for addressing these issues with the Commonwealth and the New South Wales Governments. Options include the Queensland Government acquiring Cubbie Station, Australia's biggest cotton producer, as part of its efforts to restore the Condamine-Balonne river system. The volumes of water extracted and stored, and the way water is used will be considered. Further, the suitability of certain land uses and the need for industry incentives, readjustment, and restructuring will also be assessed. Any Queensland proposal is expected to provide end of valley flows for the Narran Lakes in Northern New South Wales, a wetland of international importance, a national park on the

³ The Ramsar wetlands are those listed under the 1971 Convention on Wetlands as wetlands of international importance.

Queensland-New South Wales border and other areas of national importance. The Queensland Government is seeking the Commonwealth to provide more than \$100 million towards the Cubbie Station project.

A question the Council has raised during this assessment is what Queensland would do in the event the Commonwealth did not provide any assistance. Queensland has advised that in that event it would need to reconsider its approach to the issue. Any new WRP for the Condamine–Balonne Basin will incorporate overland flows, but will not cover groundwater. This is due to a lack of connectivity between groundwater and other sources including stream and overland flows in the region. Any new plan will also need to comply with the Water Act.

The Council also notes that the Murray–Darling Basin Commission (MDBC) Independent Audit Group will be consulted on the final draft of the WRP as the finalisation of the Condamine–Balonne WRP has implications for setting Queensland's MDBC cap. Queensland had already placed a moratorium on withdrawals from the MDBC water systems and therefore it has effectively imposed an interim cap. The finalisation of the Condamine–Balonne WRP will refine this cap. The Condamine–Balonne accounts for the bulk of Queensland's portion of the Murray–Darling Basin, although the cap will also need to be integrated with the Border Rivers and the Warrego-Paroo WRPs. It is hoped that the planning processes on all of these river systems will be completed at about the same time.

In conducting this assessment, the Council has needed to be confident that this issue is being addressed. The Condamine–Balonne Basin is, of course, a Queensland river system and it is Queensland's obligation to address its stressed condition. Given a proposal to address this issue is presently being considered by a number of governments, the Council has considered, on balance, that there are grounds for delaying judgement until information is available. The Council has therefore decided to conduct a supplementary NCP assessment on the Condamine–Balonne WRP in February 2003.

In making this recommendation, the Council notes that evidence only emerged in the 2001 NCP assessment of the Basin's stressed condition. Further, the Council has recognised the efforts the Queensland Government is making to address this issue. Nevertheless, the Basin is stressed and should insufficient progress be made by the time of the February 2003 NCP supplementary assessment, the Council would consider payment implications with a view to imposing a penalty in the 2003 NCP assessment.

Burnett Basin WRP

Outstanding issue: The *Water Infrastructure Development (Burnett Basin) Amendment Act (December 2001)* modified the environmental flow objectives contained in the Burnett WRP, which the Council assessed in June 2001 as having complied with NCP commitments. The Council needs to re-examine the modified Burnett WRP to be satisfied that the new environmental objectives are still in accordance with the provision for environment commitments under CoAG water reform.

Next full assessment: The Council will assess allocations for the environment in 2004 and provide a stocktake of progress against a jurisdiction's implementation program to identify remaining areas for assessment in 2005 when the program is to be complete.

Reference: Water reform agreement, clause 4(b-f)

Background

In 2001, the Council examined the Burnett Basin WRP and found that it met CoAG commitments. In December 2001, the Queensland Government passed the *Water Infrastructure Development (Burnett Basin) Amendment Act 2001*, which amended a number of the environment objectives in the Burnett WRP that the Council assessed in June 2001. The Council needs to re-examine the modified Burnett WRP to be satisfied that the new environmental objectives still comply with the CoAG commitments.

Queensland arrangements

The Water Infrastructure Development (Burnett Basin) Amendment Act amended the Burnett WRP on the basis of an impact assessment process, which included addressing public consultation requirements specified in relevant Commonwealth and State legislation. The scientific and other analysis undertaken during this process built on earlier WRP analysis, but was considerably more intensive, focused and comprehensive. The specific methods and results are detailed below and are publicly available in the environmental impact statements.

Following completion of the Queensland impact assessment processes for the Burnett River Dam and the Eidsvold, Jones and Barlil weirs, the Commonwealth Minister for the Environment and Heritage granted approval for Queensland to continue with dam and weir developments in accordance with the requirements of the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999*. The assessment report for the Walla Weir environmental impact statement has been deferred to enable the Government to consider integrated management arrangements for the Burnett River catchment, as recommended by the Coordinator-General. This assessment process followed all statutory requirements and, most importantly, provided opportunities for public input.

The environmental impact statements demonstrate significant potential for economic development which arises from the water made available through

these projects, providing the Burnett region with the best opportunity for economic development in many years. They indicate that 7500 new jobs associated with increased agricultural production will be created in the Burnett region. With any projects of this size, however, there will be adverse impacts. The environmental impact statements clearly outline these impacts and identify mitigating strategies that must be employed, given the requirements of the Coordinator-General's report.⁴

The Water Infrastructure Development (Burnett Basin) Amendment Act provides for some technical amendments to the Burnett Basin WRP. They arise from detailed modelling of the hydrological impact of the structures being assessed. These technical changes are necessary, but do not significantly alter the outcomes and the objectives of the WRP.

The environmental impact assessment reports identified the magnitude of adjustments to the WRP to enable the Burnett River Dam to proceed. The impact assessment process provided the opportunity for interested people and groups to express their views on the projects, including the need to amend the WRP. The Queensland Parliament and Commonwealth Government accepted that the extensive consultation arrangements for preparing the WRP and environmental impact statements had canvassed the full range of opinion on water infrastructure development in the Burnett. It was unnecessary, therefore, to amend the WRP through the processes contained in the Water Act.

The WRP includes water allocation security objectives, which specify the probability of being able to obtain water in accordance with a water allocation, whether the allocation is for urban water supply or agricultural or industrial use. The modelling for the impact assessment was undertaken on the basis that all regulated water allocation security objectives in the WRP were to be met. Accordingly, the environmental impact statement proposed no change to any of these water allocation security objectives. The Coordinator-General's evaluation establishes a requirement for negotiations with existing water harvesting licence holders that may be affected by the construction of the dam, to ensure the provision of water supplies equivalent to those provided under current licences or suitable compensation. The WRP also includes environmental flow objectives that provide for the protection of the health of natural ecosystems for the achievement of ecological outcomes.

The WRP contains two categories of environmental flow objectives. It requires that the low flow objectives be met if possible. The optimisation of these objectives is a principal focus of the next stage of water planning: the preparation of the ROP, which is under development by the Department of Natural Resource and Mines in accordance with the Water Act.

⁴ The Coordinator-General is a corporation established under the *State Development and Public Works Act 1971*. The corporation has responsibility for ensuring the environmental impact statements are conducted in accordance with the requirements of this Act.

The second category of environmental flow objectives are medium to high flow objectives which must be met to comply with the WRP. The modelling undertaken for the environmental impact statement details the flow regime that results from the water allocation scenarios related to the proposed infrastructure.

In preparing the environmental impact statements⁵, significant effort was directed to developing infrastructure operation strategies that enable the environmental flow objectives to be met. A comparison of the draft impact assessment reports and the final supplementary reports shows that the adopted strategy enables a high degree of compliance with the original objectives. The analysis undertaken shows that when the proposed allocations associated with all five proposed water storage structures are included, full compliance with the high and medium flow objectives occurs at 16 of the 19 nodes.

At two of the remaining three nodes (nodes 2 and 3), only one of the six objectives specified for each node does not comply, and the degree of noncompliance is very small. At node 3, near Gayndah, for example, the achieved 1.5-year average recurrence interval for the daily flow is 71 per cent of the pre-development flow compared with the original WRP requirement of 74 per cent. In physical terms, this means that the flow rate achieved every 18 months, on average, is 13 907 megalitres per day compared with the original WRP requirement of 14 582 megalitres per day — a difference of 675 megalitres per day. This objective is one of a number that relate to channel geometry and sediment movement. It is not unreasonable to conclude that the impact of this small change on channel geometry and sediment movement is insignificant.

At node 1, four of the seven objectives specified are not met. Again, three of these are within a few per cent of the original WRP requirement. The remaining statistic, the 1.5-year average recurrence interval, is modelled at 52 per cent compared with the required 69 per cent. This means that the required flow is achieved every 1.65 years (19.8 months) instead of every 1.5 years (18 months) as specified. The ROP will refine infrastructure operation strategies to better align the achieved flow regime with the current targets.

In addition to the amendment of some of the flow objectives, the objective in section 11(2) of the original WRP (to maintain lungfish habitat in the river) has been amended. The impacts on lungfish habitat of the water infrastructure development are described in the environmental impact statements as the loss of some habitat, particularly in the lake behind the dam. The mitigation strategies to be addressed in the conditions of approval must maintain the viability of the lungfish population through a range of

⁵ The State managed environmental impact statement process has been accredited by the Commonwealth under the provisions of the *Environment Protection and Biodiversity Conservation Act 1999*.

actions in addition to managing and allocating water in the Gayndah section of the river.

In February 2002, Queensland publicly notified an intention to prepare a draft ROP for the Burnett Basin. Interested parties have until 26 July 2002 to make submissions on what should be included in the ROP. At this stage, a draft ROP for the Burnett is scheduled for release in December 2002 for consultation with a view to finalisation by April 2003. The ROP will define the rules that guide the management of streamflows and water infrastructure to achieve the WRP's objectives.

The Council has been provided with a copy of a draft action plan for the management of catchment-wide issues associated with new water infrastructure on the Burnett River. The plan is based on a whole of Government approach and addresses turtle and lungfish management and other catchment-wide issues.

Submissions

Submissions concerning the Burnett Basin WRP have been received from Burnett Water (2002, submission 3), Burnett Water for All (2002, submission 11) and Felicity Coffey of the Queensland University of Technology (2002, submission 6). Those aspects of the submissions that focus on the proposed Paradise Dam are listed in the section on progress on new rural schemes.

Burnett Water (submission 3) has made representations in relation to the modified WRP. The proponent established by Queensland to obtain all approvals for new water development projects in the region, Burnett Water has provided the following views to support the water allocation scenarios.

- The new WRP settings were developed with significant technical support to Burnett Water from the Department of Natural Resource and Mines through IQQM modelling.⁶
- Analysis showed that development of all three proposed water infrastructure projects would comply fully with high and medium flow objectives of the WRP at 16 of the 19 measurement nodes in the catchment.
- At two of the remaining three nodes, only one of the six objectives specified for each node would not comply and the degree of noncompliance was too small to be of practical significance.

⁶ The integrated quantity and quality modelling (IQQM) approach is used by the Murray–Darling Basin Commission, the New South Wales Government, the Mekong River Basin Commission and the global water engineering corporation, Lyonnaise Des Eaux Astran.

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- At the remaining node, four of the seven objectives specified would not have been met. Three of these, however, were within a few percentage points of the WRP requirement. The 1.5 year average recurrence interval daily volume flow is modelled at 52 per cent compared to the required 69 per cent. This means the required flow would be achieved every 19.8 months instead of every 18 months as specified in the WRP.
 - The Queensland Co-ordinator-General concluded that ‘the flow outcomes represent practical compliance with the intentions behind the flow objectives of the WRP, and that Government consideration of an appropriate amendment to the WRP is justified’.
 - Minor amendments to the WRP were made in the Water Infrastructure Development (Burnett Basin) Amendment Act in December 2001.
 - In proposing the Act, the Minister for State Development noted that significant effort during preparation of the environmental impact statement was directed to developing infrastructure operation strategies to enable environmental flow objectives to be met, and that the strategy adopted enabled a high degree of compliance.
 - The amendments resulted in minor changes to a small number of flow figures in the Burnett WRP. The Co-ordinator-General concluded that these changes do not threaten the integrity of the WRP or its effectiveness as a tool for managing water resources in the Burnett.
 - The next stage of the new Burnett WRP under the Water Act is the preparation of the ROP. Completion of the ROP is a precondition for any final commitment to the Burnett River Dam and relevant weirs. Once the ROP is done, all efforts will be made to refine infrastructure operation strategies to improve the environmental flow targets in the WRP.

Burnett Water for All (submission 11) raised issues that primarily focus on the proposed dam, but also the following issues concerning the modified WRP.

- Scientific studies, including the 2000 draft water allocation and management plan for the Burnett Basin show the river is almost fully allocated. To ‘fit in’ the Paradise Dam, the level of extraction from the Burnett River will change from 19 per cent to 28 per cent of the mean annual flow. Scientific studies for the draft Burnett plan suggested the mean annual flow could be reduced to 81 per cent before major to very major ecological impacts occurs.
- The risk assessment diagrams produced by the Technical Advisory Panel for the 2000 draft Burnett plan show increased levels of water allocation in the Burnett Basin are likely to further change the flow regime and increase the likelihood of major impacts on riverine health and ecological condition.
- In the longer term, the impacts arising from existing levels of development can be expected to be greater than those already apparent.

- The WRP was amended solely on the modelling done by Burnett Water for the Paradise Dam environmental impact statement. The modelling was done without input from the Department of Natural Resources and Mines, which has expertise with the Burnett IQQM model.⁷
- The 2000 draft Burnett plan's recommendations are based on hydrological modelling which exclude data from the last four very dry years. Inclusion of these recent figures would exacerbate the breach of environmental flow limits.
- The State of the Rivers study for the Burnett reported that the Burnett River was generally in a poor state of health.
- The Burnett WRP should not have been altered for the following reasons.
 - The Burnett WRP was only signed off 12 months ago and therefore is not out of date. It was not scheduled to be reviewed until 2010.
 - The environmental flow limit in the modified Burnett WRP of 130 000 megalitres (or 75 per cent of natural flow) allows for more than double the level of extraction recommended by the draft water allocation and management plan (or 81 per cent of natural flow). The Paradise Dam infrastructure package would extract 196 000 megalitres.
 - The limits recommended in the draft water allocation and management plan were set at the point above which the best science available predicts that major to very major ecological impacts will occur.
 - Changing the figures will not change the fact that these major impacts are likely to occur with the level of extraction proposed by the dam.
- Some of the impacts that will occur by extracting water beyond the environmental flow limits are:
 - a worsening of salinity;
 - increased aquatic weeds and algal blooms;
 - a reduction of fish habitat and breeding triggers, reducing catches; and
 - an increase in nutrients flowing to the Great Barrier Reef during flood events.

⁷ The Department of Natural Resources and Mines set the provisions of a licence to the proponent's consultants to use the IQQM model. The department provided advice and support to the consultants through the modelling process and at the conclusion of the process, the department audited and approved the modelling work.

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- **Modifying the Burnett WRP removed the Government's need to 'maintain' lungfish spawning habitat in the upstream reservoir.**
 - **Based on substantial mainstream evidence, the change to legislation to override the WRP is not sustainable and therefore will seriously threaten the long-term viability of the Burnett Region.**
 - **Environmental flow objectives will not be met, resulting in insufficient water flows to allow fish spawning and prawn breeding in the tidal reaches of the Burnett River system, severe economic loss to commercial and recreational fisheries, and possibly the loss of some fish species.**
 - **Recommendations from the Burnett WAMP and research investigations have been ignored.**
 - **The Burnett River should be deemed to be a stressed river system.**
 - **By not meeting the environmental flow limits recommended in the draft water allocation and management plan, the Government is ignoring the precautionary approach.**
 - **The Burnett River system is gifted with two rare inhabitants, one of which (the lungfish) is native to the Burnett and Mary rivers of southeast Queensland. The other is a recently discovered and as yet unnamed freshwater turtle in the genus *Elseya*.**
 - **The turtle is so new that it has not yet been classified, so cannot be protected under the Commonwealth's Environment Protection and Biodiversity Conservation Act. According to experts, the turtle is likely to be listed as a 'vulnerable' species. If the dam goes ahead, then the species could be listed as 'endangered'.**
 - **Environment Australia is reviewing the Queensland lungfish for classification under the Environment Protection and Biodiversity Conservation Act. The outcome of the decision-making process with regard to the dam should be delayed until there is Commonwealth approval of the listing of the species. Approval of the lungfish as a listed species would require an assessment of the breaches of the environmental flows that have been made. These breaches have not been officially considered at the Commonwealth level because there is a loophole in the Environment Protection and Biodiversity Conservation Act.**
 - **An internationally recognised species, lungfish are known to occur naturally in only the Burnett and Mary rivers, although many years ago some were translocated to the Brisbane River system where the species is still surviving. It cannot, however, spawn successfully in dams and weirs. While the species is generally regarded as abundant within the community (even in impoundment areas) and long lived (up to 60 years of age), the impacts on the species may not be visible for decades. By the time changes in number are noticed, it may be too late.**
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- An ecological outcome of the WRP has been modified to no longer require spawning sites of lungfish to be ‘maintained’ as a result of a weakening of several environmental flow(s) requirements. No public consultation on these changes was undertaken before the WRP amendment was passed.

Felicity Coffey (2002, submission 6) also argues that the amended Burnett WRP does not comply with CoAG commitments. The amendment Act changed the following provisions in the Burnett WRP for lungfish habitat.

- Section 11(2) was changed from ‘water in the Burnett River is to be managed and allocated to maintain lungfish habitat in the river, particularly lungfish habitat downstream on Gayndah’ to ‘managed and allocated to provide for lungfish habitat’. This wording is weaker than the original provision.
- Three out of the five key flow indicator values for the environmental flow objectives at node 1 were amended and resulted in these objectives being given values beyond the environmental flow limits in the draft Burnett WRP.
 - This is contrary to the Water Act, s. 10(1) objective ‘to advance sustainable management and efficient use of water’ and s. 38(1) requirement to prepare a WRP to advance sustainable water management.
 - The amended environmental flow objectives have not been set at levels considered, at present knowledge, to be sustainable (see nodes 1,2 and 3). Rather, the amended environmental flow objectives have been set beyond the limit of flow regime change to allow water infrastructure to be built.
- The amendments of the environmental flow objectives have reduced transparency of the objectives. Further, the amendments to the Burnett WRP are not obvious to the public.
- The Burnett WRP set environmental flow limits at 2 per cent above level 2 (the level below which major or very major impacts are more likely to occur). There is a question of whether the Government incorporated the precautionary principle into its decision-making to assign the environmental flow objectives.
- Node 6 should be considered to be stressed because the Burnett WRP does not provide for a reduction in water use levels in this reach.
- The Water Act defines an environmental flow objective as ‘a flow objective for the protection of the health of natural ecosystems for the achievement of ecological outcomes’.

Discussion and assessment

The Queensland Government has argued that the amendments to the Water Infrastructure Development (Burnett Basin) Act resulted in small changes to a handful of objectives in the original Burnett Basin WRP of 2000 and that those changes have not, in any way, threatened the integrity of the WRP or its effectiveness as a tool for managing the water resources of the Burnett Basin.

The Council has examined the modified Burnett WRP. While the modifications have not altered the stated general outcomes, the modifications enable an additional 66 000 megalitres per year to be allocated for consumptive use, resulting in an alteration to the plan's ecological outcomes for the lungfish habitat. The initial WRP required water in the Burnett River to be managed and allocated to *maintain* habitat; the modified WRP states that water in the Burnett River is to be managed and allocated to *provide for* lungfish habitat.

The Government has indicated it is considering measures to address the long-term viability of populations of lungfish and freshwater turtles in the Burnett River. Development of management and action plans is likely and will also involve further research to better understand the habitat requirements of the fauna.

The Council notes that the Commonwealth is considering listing the lungfish under the Environment Protection and Biodiversity Conservation Act. Such a proposed action indicates national concern over the future long-term survival of this species.

Of the 19 management nodes contained in the original WRP, only three have been modified by the change to the WRP. All three nodes, however, are from immediately upstream of the proposed Paradise Dam site down to the river mouth (node 1). At node 1, this translates to a shift from the draft WRP 'scenario y' to 'scenario z'.

The Technical Advisory Panel made the following comment concerning impacts on the estuary:

The Burnett estuary has already undergone very major change from its natural condition, due to existing water resource development and numerous other disturbances, including channel modifications ... reclamation of mangrove areas, pollutant inputs and fishing pressures. The additional development represented by scenarios x, y and z is likely to lead to further change, although this cannot be shown by a change in rating. (TAP 2000, p. 10)

In addition the Technical Advisory Panel indicated their views on geomorphological and ecological impacts likely from the implementation of the draft WRP scenarios at the Burnett River at Figtree (node 2):

Scenarios x, y and z all involve substantial additional development. Impacts up to a moderate level are likely. Scenario z is likely to lead to impacts up to a major level, increasing to very major if a large dam is constructed on the Burnett River between Gayndah and Figtree. (Burnett Basin Technical Advisory Panel 2000, p.9)

It is the Council's view that the revised WRP incorporates a minor level of change in the medium and high flow objectives. In a number of instances, however, values for the flow objectives have moved further away from those presented as the environmental flow limits and this is a potential concern. The environmental flow limit represents a point at which the risk of environmental degradation associated with a change in a flow objective becomes unacceptable. The CRC for Freshwater Ecology in relation to the original Burnett WRP indicated that the environmental flow limit line represents an unacceptable risk of relatively minor impact when compared to levels of impact in many rivers in south-eastern Australia.

While the Burnett River system has some reaches of high ecological value, it has already been highly modified as a consequence of existing water resource developments. Further, as indicated by the Technical Advisory Panel the river reaches of the lower Burnett River are not in a pristine or relatively undisturbed state.

The Council does not support the view that the modification of the WRP means the Burnett is now a stressed system. It is not obvious to the Council that the changes to the environmental flow objectives in the modified WRP will necessarily result in a further deterioration of ecological condition at the management nodes where departures from the environmental flow limit are greatest. All environmental flow objectives are being met at all nodes as demonstrated by the environmental impact study. The Council considers that how the allocations are managed, along with how infrastructure (including any new infrastructure) is operated under the Burnett ROP, may be a greater determinant of future environmental health.

Given that the amended WRP has resulted in only minor changes from the outcomes contained in the original WRP, the Council re-affirms its finding from the 2001 NCP assessment that the Burnett Basin WRP complies with CoAG commitments. To be certain, however, the Council will review the provisions of the forthcoming Burnett Basin ROP, consistent with the Council's findings in 2001 in relation to the Burnett WRP:

The Council may consider the implementation actions proposed in the resource operations plan to ensure sustainability in future assessments (NCC 2001c, p.102).

The Burnett ROP will need to show in a transparent manner how it will achieve the general and ecological outcomes stated in the WRP to ensure that ecologically sustainable outcomes will be realised.

Compliance with principle 4

Outstanding issue: Queensland is to demonstrate progress and compliance of WRPs and ROPs with principle 4 of the national principles for the provision of water for ecosystems.

Principle 4 states that in systems where there are existing users, provision of water for ecosystems should go as far as possible to meet the water regime necessary to sustain the ecological values of aquatic ecosystems while recognising the existing rights of other water users.

Next full assessment: The Council will assess allocations for the environment in 2004 and provide a stocktake of progress against a jurisdiction's implementation program to identify remaining areas for assessment in 2005 when the program is to be complete.

Reference: Water reform agreement, clause 4(b–f)

Background

In relation to principle 4, the 2001 NCP assessment found ROPs are to implement the WRPs. No ROPs were advanced enough for examination at that time, so the Council deferred examination of compliance with this principle until the 2002 NCP assessment when the Fitzroy Basin ROP was expected to be in place.

Queensland arrangements

Queensland has advised that work is progressing to release a draft ROP in August 2002. The process to prepare a draft ROP for the Fitzroy Basin formally commenced in November 2000 with the issue of a s. 96 public notice under the Water Act. Some 40 submissions on the proposal are being considered, along with the necessary technical assessments in preparing a draft ROP. It will be released for three months public consultation (an extended period due to this being the first ever ROP).

Queensland is proposing to appoint an independent ROP referral panel of 5–7 experts (akin to the referral panels used for moratorium matters). The panel will coordinate submissions and make recommendations to the chief executive of the Department of Natural Resources and Mines.

The Fitzroy ROP will cover the entire area of the Fitzroy WRP but will be rolled out in stages. An initial ROP will be released and then the Queensland Government will amend the ROP to add parts over time. The initial area to be covered as a first priority is the Nogoia–MacKenzie, Upper Fitzroy and the Dawson water supply schemes. The first stage will cover 70 per cent of all licences in the Fitzroy, including 95 per cent of all supplemented licences.

The draft Fitzroy Basin ROP will contain the detailed elements required to implement the WRP as follows:

- details of amendments to be made to certain individual water entitlements to convert them to approximately 840 tradeable water allocations;
- water allocation change rules to provide for the movement of water allocations between different areas and for different purposes;
- licensing water service providers such as SunWater and Fitzroy River Water Ltd;
- rules for the amendment of certain entitlements not being converted to water allocations, including the specification of an annual volumetric limit;
- operating rules to apply in both supplemented and unsupplemented areas to meet environmental flow and water allocation security objectives;
- water and natural ecosystem monitoring practices to be implemented in both water supply scheme areas and unsupplemented areas. Monitoring will be done on a whole of basin streamflow basis, individual reaches, and monitoring required by individual licence holders. An extensive two year pilot monitoring program will be used to establish a long term ecological monitoring program;
- reporting requirements to apply to infrastructure operators of water supply schemes; and
- strategies for the release and/or reservation of unallocated water.
 - The 190 000 megalitres contained in the WRP for the Nathan Dam on the Dawson River will not be included in the ROP.
 - The additional 40 000 megalitres of unallocated water for the Nogoa–Mackenzie rivers has been subject to intensive overland flow take and this also will not be covered by the ROP.
 - The draft ROP proposes to release 15 000 megalitres per year in water allocations along the Lower Mackenzie and Fitzroy Rivers and 11 000 megalitres per year in water licences in the Isaac, Connors, Lower Mackenzie and Fitzroy river subcatchments to meet immediate needs for the next three to five years.
- The ROP will provide for modifications of the outlet works the Fairbairn Dam to meet post-winter flow environmental objectives. Sunwater will be given time to implement these objectives.

The ROP will formally separate water allocations from land title. Water allocations will have a specified purpose of either 'agriculture' or 'any'.

Subject to consideration of submissions on the draft ROP and any further assessments that may be necessary, the ROP process is expected to be finalised in early 2003.

To preserve the Fitzroy Basin WRP environmental flow and water allocation security objectives, on 13 September 2001 the Minister for Natural Resources and Mines publicly notified⁸ his intention to amend the WRP to regulate the taking of, and interfering with, overland flow water. A comprehensive moratorium on further overland flow developments was also announced at this time. The process to prepare an amended WRP is specified in the Water Act and is underway, with extensive catchment-wide data collection on overland flow developments in progress. A community reference panel is being formed and a technical advisory panel is soon to be engaged.

In addition, the development of the Fitzroy ROP has highlighted the need for modifications to the Fitzroy WRP. The necessary modifications to the Fitzroy WRP will be contained in chapter one of the ROP. The ROP will also contain caveats outlining possible areas for amendment over time such as those arising from monitoring to ensure a full process is not required to amend the ROP. The modification of the WRP could be done either by the WRP amendment process under the Water Act or by a specific amendment to the Water Act itself to accommodate the Fitzroy situation. Queensland needs to amend the Fitzroy WRP to give effect to the operational arrangements contained in the ROP and it is proposed that this be done as a parallel process to the development of the ROP.

Discussion and assessment

The Council will re-examine future ROPs for the Fitzroy Basin, and possibly the Burnett Basin against principle 4 in the 2003 NCP assessment.

Compliance with principle 5

Outstanding issue: Queensland is to demonstrate compliance and further developments of WRPs with principle 5 of the national principles for the provision of water for ecosystems.

Principle 5 states that where environmental water requirements cannot be met due to existing uses, action (including re-allocation) should be taken to meet environmental needs.

Next full assessment: The Council will assess allocations for the environment in 2004 and provide a stocktake of progress against a jurisdiction's implementation program to identify remaining areas for assessment in 2005 when the program is to be complete.

Reference: Water reform agreement, clause 4(b-f)

⁸ Under ss 40 and 55 of the Water Act.

Background

The 2001 NCP assessment concluded that the Council would look to Queensland's response on the development of a new Condamine–Balonne WRP to assess whether the State has met the criteria of principle 5. Queensland committed to treat this issue as a priority, so the Council undertook to review the WRP against principle 5 in the 2002 NCP assessment.

Queensland arrangements

Queensland has advised that environmental flow objectives for the Condamine–Balonne WRP are being developed with consideration of:

- expert scientific opinion (by technical advisory panels);
- results of the Department of Natural Resources and Mines' ongoing ambient water quality and biological monitoring programs; and
- the department's recent aquatic ecosystem research work in the Condamine–Balonne (looking at eco-response to flow change).

Assessment

The new WRP will contain the new environmental flow objectives. The Council will assess developments and compliance with principle 5 in the February 2003 NCP supplementary assessment in relation to the new Condamine–Balonne WRP (and possible ROP).

Compliance with principle 8

Outstanding issue: Queensland is to demonstrate compliance and further development of WRPs with regard to principle 8 of the national principles for the provision of water for ecosystems.

Principle 8 states that environmental water provisions should be responsive to monitoring and improvements in understanding of environmental water requirements.

Next full assessment: The Council will assess allocations for the environment in 2004 and provide a stocktake of progress against a jurisdiction's implementation program to identify remaining areas for assessment in 2005 when the program is to be complete.

Reference: Water reform agreement, clause 4(b–f)

Background

The 2001 NCP assessment found that Queensland was undertaking scientific assessments to determine future monitoring programs to ensure the data

collected measure the performance of WRPs. A pilot program was being applied in the Condamine–Balonne Basin and, if successful, will be applied to other systems in the State.

The Council will consider the application of principle 8 as further developments occur in the 2002 NCP assessment.

Queensland arrangements

Queensland has advised that the Department of Natural Resources and Mines is undertaking significant investment to research and better understand flow and land use impacts on aquatic ecosystems, to identify aquatic system health indicators that respond to flow changes and landscape disturbance. The work initially focused on flow changes but quickly recognised the confounding factors caused by landscape changes. The results of the research are expected to provide a comprehensive monitoring framework and then, when plans are reviewed, a better definition of ecological outcomes in WRPs and improved indicators for plan performance monitoring. Research is being undertaken in the Condamine–Balonne and Fitzroy basins.

Assessment

The Council will re-assess the new Condamine–Balonne Basin WRP and the Fitzroy Basin ROP against principle 8 in the 2003 NCP assessment. The Council may also examine other WRPs and ROPs, monitoring reports and any other relevant documents at that time with regard to this principle.

Other stressed WRPs

Outstanding issue: The Council needs to examine any other final WRP where the area covered is considered to be stressed or overallocated (for example, the Border Rivers).

Next full assessment: The Council will assess allocations for the environment in 2004 and provide a stocktake of progress against a jurisdiction's implementation program to identify remaining areas for assessment in 2005 when the program is to be complete.

Reference: Water reform agreement, clause 4(b–f)

Background

In 2001, the Council concluded that the process of setting environmental flows is an adaptive one and that the results from WRPs, ROPs and monitoring of ecological outcomes are yet to be seen. The ROPs implement the environmental flows in WRPs. Before a ROP is established, the WRP guides water management.

The 1999 Tripartite Meeting agreement requires progress by 2001 on allocations in all river systems that have been overallocated or are deemed to be stressed. In 2001, the Condamine–Balonne system was found to be a stressed basin system. The Council reserves the right to examine any other WRP for a waterway that may be overallocated or stressed.

Queensland arrangements

Queensland has advised that hydrologically it has no stressed catchment systems apart from the Condamine–Balonne Basin. In relation to the Border River, available science indicates an end-of-system flow of approximately 60 per cent, which is not considered to be stressed.

Discussion and assessment

Queensland has a moratorium on withdrawals from its portion of the Murray–Darling Basin system, which includes the Border Rivers. The finalisation of the Condamine–Balonne Basin WRP will define Queensland's adoption of the Murray–Darling Basin cap. The Condamine–Balonne Basin accounts for the bulk of the Murray–Darling Basin Commission water (sourced from Queensland).⁹ The cap will need to be refined for the Border Rivers and Warrego–Paroo WRPs.

The Condamine–Balonne Basin is the only area in Queensland where a WRP is being developed that is acknowledged as being, or at risk of becoming, stressed or overallocated. The outstanding commitment has been met.

⁹ Four rivers contribute to the Murray–Darling Basin Ministerial cap: the Condamine–Balonne rivers (600 gegalitres), Border Rivers (200 gegalitres), the Moonie River (10 gegalitres), and the Warrego–Paroo rivers(10 gegalitres).

Public consultation

Outstanding issue: The Council will monitor developments in public consultation on the WRP process.

Next full assessment: For all future assessments, the Council will examine public consultation and education measures for the reform priority that falls due for assessment in that year. The Council will re-examine the adequacy of consultation measures in the WRP process in 2004.

Reference: Water reform agreement, clause 7(a–e)

Background

In 2001, the Council found that Queensland continues to actively consult with all stakeholders in all aspects of the reforms and has ongoing consultation and education mechanisms. The Council was satisfied for the 2001 NCP assessment that Queensland had met its commitments in this area of reform.

The Council found, however, a need for greater transparency in the WRP process. In particular, the Queensland Government committed to bolster the s. 51 reports under the Water Act to provide more supporting information on what a final WRP will mean and how Queensland moves from the draft to the final. For the 2002 NCP assessment, the Council committed to monitor developments in public consultation on WRPs.

Queensland arrangements

Queensland has advised that the Department of Natural Resources and Mines is continuing to improve its community engagement processes for water resource planning. Examples are early planning discussions with the Mary River catchment committee on the most appropriate means of public consultation for the Mary River WRP. The information paper, to be released as part of the formal commencement of the WRP process, will seek comment on a proposed community engagement, involving a citizen's panel and also direct stakeholder engagement. Similarly, as part of the formal initiation of the WRP process for the Burdekin Basin, the Government is seeking community input and submissions on the process for community consultation in preparing this plan.

In November 2001, Queensland passed the *Water Amendment Act 2001*. Section 78A has been added to make 'minor' amendments to WRPs without having to go through a full public consultation process. The provision applies to amendments to correct minor errors or to make a change that does not change the substance of a WRP. The provision will also apply to amendments when a WRP specifies that such amendments can be made without full public consultation.

Queensland passed the Water Infrastructure Development (Burnett Basin) Amendment Act in December 2001 to amend the Burnett WRP and allow for the possible development of the Paradise Dam. This Act allowed Queensland to bypass the provisions in the Water Act that specify the public consultation process necessary to amend a WRP. Queensland passed the Act to amend the Burnett Basin WRP on two grounds:

- the environmental impact statement process has provided similar information to that required under the Water Act; and
- the changes to the plan will not fundamentally affect the environmental outcomes targeted in the existing Burnett WRP.

Submissions

Several submissions to the Council have addressed the process of public consultation during the development and implementation of amendments to the Burnett WRP. Burnett Water (submission 3) has raised the following points.

- The environmental impact statements for the projects found minor amendments to the Burnett WRP would be needed to allow the implementation of the projects.
- The Queensland Co-ordinator-General concluded that 'water resource matters associated with the proposed dam (and other proposed infrastructure) are considered to be adequately addressed in the draft environmental impact statement and supplementary report. The flow outcomes represent practical compliance with the intentions behind the flow objectives of the WRP, and that Government consideration of an appropriate amendment to the WRP is justified.'

A number of submissions have argued that it is inappropriate for the Government to enact special legislation in this way when a process for amendment (involving public consultation) already exists in legislation. Burnett Water for All (submission 11) has raised the following points about overriding legislation to change the Burnett WRP.

- There was no opportunity for those affected to have input. Many sectors of the community felt they were not adequately consulted, including the local indigenous group Wakka Wakka Jinda, landholders and the Inland Burnett community. The Queensland Government regards the consultation as part of the environmental impact statement as sufficient to change the WRP. Burnett Water for All, however, regards the entire environmental impact assessment for Paradise Dam as inadequate in both content and process.
- This is a clear vote of no confidence in the community consultation process for the water allocation and management plan that formed the basis of the

WRP, making a mockery of the WRP process which is hailed nationally as being a significant achievement in sustainable water management

- The public was not given sufficient warning before the environmental impact statement for the Burnett River Dam was released and were not informed that it was going to be used to amend the WRP for the Burnett Basin.
- Information other than what has been offered by Burnett Water has been difficult to find because all Government departments have been advised not to comment.
- The community were consulted at length on the water allocation and management plan, yet the Government has chosen to ignore the findings.

Felicity Coffey (submission 6) has submitted that:

- the Queensland Government ignored the Water Act provisions that set out a process for public consultations to amend (other than minor amendments) a WRP, thus restricting public consultation on the proposed amendments to the Burnett WRP; and
- Queensland Treasury documents on the financial viability of the Paradise Dam were withheld from the public under the Freedom of Information Act, which exempts matters considered by Cabinet or Executive Council. Additionally, the Queensland Government exempted the requirement for a regulatory impact statement to amend the Burnett WRP, thus avoiding public scrutiny.

Discussion and assessment

In relation to the issue of the modified Burnett WRP, the Council found in the 2001 NCP assessment that there was a need for greater transparency in the WRP process in general. The Queensland Government has enacted a number of pieces of legislation to amend the Water Act requirement for public consultation, for reasons of administrative expediency, but the Council considers that processes such as the amendment of the Burnett WRP do not help to instil public faith in the transparency of Queensland's WRP process.

While the Water Infrastructure Development (Burnett Basin) Amendment Act amendments to the original Burnett WRP were minor, they did vary specific environmental flow objectives, including one criterion that relates to the endangered lungfish and the loss of some of its habitat.

A number of submissions argue that it is inappropriate for the Government to enact special legislation in this way when a process for amendment (involving public consultation) already exists in legislation. The Council considers that actions such as the amendment of the Burnett WRP without formal consultative processes do not help the WRP process or specific issues such as the proposed development of the Paradise Dam issue.

The Council in 2001 raised with Queensland the need for greater transparency in the WRP process. In particular, s. 51 reports will now be augmented to explain what the final WRP will mean and how Queensland moves from the draft to the final, including any trade-offs made. Queensland has re-affirmed its commitment to this process in the 2002 NCP assessment.

The changes in the s. 51 reports can be achieved without amending the Act and the next s. 51 report (on the Condamine–Balonne) will include the additional information. The Council will reconsider this issue in the 2003 NCP supplementary assessment when it assesses the Condamine–Balonne WRP.

Progress report issues

Full cost recovery – externalities

Progress report: Developments in factoring externalities into pricing by urban service providers.

Next full assessment: The Council will assess urban pricing reform in 2003.

Reference: Water reform agreements, clause 3(a)(i); Expert Group report on externalities

Background and Queensland progress

The CoAG pricing guidelines require externalities to be incorporated into prices. The Council recognises that this is a complex and difficult area, particularly in the urban sector.

The Council views the first step as looking for prices to reflect an appropriate proportion of the costs of mitigating environmental problems of water use. The more advanced stage is a holistic approach to dealing with externalities, where pricing is only one component. As noted by the High Level Steering Group on Water (2000), externalities need to be addressed using a 'portfolio of decision tools'.

Queensland indicated that the Business Management Assistance Process is not looking at externalities, and that there will need to be policy level consideration in the first instance. Externality charges (environmental costs for example) are factored into full cost pricing where imposed by a third party such as a state regulatory body (for example trade waste charges).

Full cost recovery – tax equivalent regime

Progress report: Report on developments to implement Tax Equivalent Regimes for metropolitan service providers.

Next full assessment: The Council will assess urban pricing reform in 2003.

Reference: Water reform agreements, clause 3(a)(i); Expert Group report on tax equivalent regimes

Background and Queensland progress

Tax equivalent payments and other competitive neutrality adjustments (for example, debt guarantee fees) are provided for in full cost pricing for significant local government business activities (that is Type 1 and Type 2 business activities) under the *Local Government Finance Standard 1994*. For the remaining 107 local governments, the adoption of a full cost pricing regime is voluntary. However, the Government's Financial Incentive Plan provides potential financial payments to local governments as an incentive for progressing full cost pricing reforms. Taxes within the Queensland Tax Equivalent Regime include income tax, stamp duty, payroll tax, land tax and debits tax.

For local governments adopting full cost pricing or commercialisation of their business activities, the local government is entitled to receive any tax equivalent payments. Following amendments made by the Commonwealth to the *Income Tax Assessment Act 1936* in October 2001, all Queensland local government corporations and entities are no longer liable to pay income tax to the Commonwealth. Any income tax equivalent would now be payable to the parent local government rather than the Commonwealth. These amendments have significantly enhanced the viability of corporatisation of business activities for local governments.

Community service obligations and cross-subsidies

Progress report: The identification and transparent reporting of community service obligations and cross-subsidies among those local governments outside the Big 18.

Next full assessment: The Council will assess the reporting of community service obligations and cross-subsidies in 2003.

Reference: Water reform agreement, clause 3(a)(i & ii)

Queensland progress

The *Local Government Act 1993* requires the largest 18 local governments with significant water and sewerage business activities to identify and publicly report any cross-subsidies that exist between different classes of

customers and to identify and publicly report any community service obligations (CSOs). For the remaining 107 local governments the identification and reporting of CSOs and cross-subsidies is not required under legislation. However, the Financial Incentive Program provides a financial incentive for the local governments to undertake such an analysis.

At 1 July 2001, of the 11 local governments that have over 5000 water connections, but are outside of the largest 18 local governments, only three have identified CSOs and two have completed appropriate cross-subsidy reports that comply with the guidelines. Within the 41 local governments with between 1000 and 5000 water connections, eight have identified CSOs and are reporting them while three smaller local governments have conducted compliant cross-subsidy reports.

The Council has not been provided with any information on whether the number of local governments that are identifying and reporting CSOs and cross-subsidies has increased since July 2001. Hence, it is not yet evident how effective the Business Management Assistance Program has been in helping some of the smaller to medium sized water businesses complete these reports and investigations.

As noted in the progress report on structural separation, Queensland currently releases some information on local government water and wastewater businesses in *the Queensland Local Government Comparative Information Report*. This year's report is publicly available on the Department of Local Government's website. The Council has reviewed the information provided in that report to determine, among other things, whether it meets the CoAG water reform commitments for publicly reporting CSOs and cross-subsidies. The current report contains some information on pensioner rebates but it does not separate these rebates between water and other local government charges. In addition, the report does not provide information on other CSOs or cross-subsidies.

Queensland has committed to working closely with the Council prior to sending the next survey to local government to ensure that the information collected covers the areas necessary to meet the NCP reform commitments.

Consumption-based pricing – seven local governments

Progress report: Queensland is to report on progress on assessments of the cost effectiveness of introducing two-part tariffs for the seven local governments with between 1000 and 5000 connections that have not reviewed existing tariff arrangements.

Next full assessment: The Council will next assess urban pricing reforms in 2003.

Reference: Water reform agreement, clause 3(b)

Background

In 2001, the Council expressed a concern that seven local governments decided to remain under existing tariff arrangements without completing assessments of the cost effectiveness of introducing two-part tariffs. At that time the Council hoped the Business Management Assistance Program would lead to these assessments being completed, to allow an informed judgement of the potential value of moving to a two-part tariff. The Council's concern was heightened by the fact that these seven local governments have some of the State's largest free water allowances; for example, Longreach, Sarina and Belyando offer allowances of up to 1200 kilolitres, 2045 kilolitres and 6655 kilolitres respectively. Free water allowances, particularly of this magnitude, given that average residential consumption across the country is around 256 kilolitres (WSAA 2000), discourage economical water use.

Queensland progress

For 2002, Queensland have provided the Council with a status report on each of the seven local governments identified in 2001 that had not reviewed existing tariff arrangements.

- Broadsound Shire Council has resolved to implement a two-part tariff by 1 July 2002.
- Herberton conducted a two-part tariff assessment and forwarded the report to their Shire Council for consideration. The Department of Local Government and Planning has been advised that the report proposes the implementation of a two-part tariff for the 2002-03 financial year. The Queensland Government will provide the Council with details of Herberton Shire Council's budgetary deliberations as soon as they are known.
- Douglas Shire Council had delayed the preparation of a two-part tariff assessment until it had established the magnitude of costs for the installation of a new water treatment facility. Douglas Shire Council is in the process of engaging consultants to prepare an appropriate assessment. Queensland will provide the Council with more detail on developments for Douglas Shire as they come to light.
- Belyando Shire Council has conducted a two-part tariff assessment. The assessment found that the introduction of a two-part tariff would be cost effective. However, the Shire Council has resolved not to implement a two-part tariff.
- Sarina Shire Council has conducted a two-part tariff assessment that found the implementation of a two-part tariff would be cost effective. The Shire Council has resolved to implement a two-part tariff and is developing options for the pricing structure for consideration during the 2002-03 budgetary process.

- Roma Town Council met with Business Management Assistance Program (BMAP) consultants in mid February 2002 and has developed a comprehensive implementation plan to complete all necessary reforms by July 2003. Roma resolved to nominate its CoAG Water Business for reform, and is planning to conduct a two-part tariff report.
- Longreach Shire Council has commenced its two-part tariff assessment.

All the shire councils above have been involved in BMAP audits, workshops and briefings. In 2003 the Council will consider in full the implementation of two-part tariffs by local government water services providers.

New rural schemes

Progress report: Governments have agreed that all investments in new rural water schemes or extensions to existing schemes should be undertaken only after appraisal indicates that the scheme or extension is economically viable and ecologically sustainable.

Queensland is to provide a progress report on the status of new dam projects such as the Paradise Dam proposed for the Burnett Basin.

Next full assessment: The Council will examine investments made by the government when the government decides to proceed, to ensure the twin tests of economic viability and ecological sustainability have been met.

Reference: Water reform agreement, clause 3(d)(iii).

Background

The Council was satisfied that Queensland had met its 2001 NCP commitments in relation to new investment. Further, in that NCP assessment, the Council reviewed Queensland's guidelines for establishing economic viability and ecological sustainability.

In 2001, the Queensland Government announced an intention to proceed with the design of the Paradise Dam project in the Burnett Basin region. Queensland released a State infrastructure plan, including a strategic directions paper setting out infrastructure planning until 2006.

- All development proposals to establish economic viability must comply with the Queensland Treasury guidelines for new water infrastructure in Queensland.
- The 2001-02 plan provided some \$3.9 million to undertake planning and impact assessment investigations in the Burnett region. The Paradise Dam, Walla Weir 2, Barlil Weir, Eidsvold Weir and upgraded Jones Weir projects were identified as possible development projects.

The Council has confirmed that the development of the Burnett ROP is a condition for a final decision to proceed with the Paradise Dam. Public consultation on what may be included in developing a draft Burnett ROP was

extended until 26 July 2002. The Department of Natural Resources and Mines intends to put out a draft Burnett ROP for public comment in December 2002, with the aim of releasing a final ROP in March-April 2003.

The process of assessing new infrastructure development can occur in parallel with the ROP. It may not be necessary to wait for the finalisation of the ROP for a developer to commit to a new dam, but the developer will not receive a firm water allocation until the ROP is finalised.

In terms of the process for the Paradise Dam, Queensland is in stage 2 of a four-stage process. Stage 1 (complete) was the development of the environmental impact statement — the pre-feasibility stage. Stage 2 (the pre-development stage) has just commenced and is expected to take 18 months. This stage will address the development of the ROP, native title and so on. A final decision to commit to the construction of the Paradise Dam is unlikely to occur before mid-2003.

Submissions to the Council for the 2002 NCP assessment have expressed concern with the proposed dam development. (These issues are listed below.) The Council will assess these issues in a future NCP assessment if the Queensland Government decides to proceed to construction of the Paradise Dam.

Queensland progress

In accordance with the Water Infrastructure Development (Burnett Basin) Act, the Queensland Government has established a State-owned company to achieve the 'Water for Bundaberg' component of a 2001 State election commitment. The company, Burnett Water, has been undertaking impact assessment work and is planning to apply for necessary approvals for the construction and operation of new water infrastructure in the Burnett region.

The development proposals include:

- a major dam on the Burnett River (with a capacity of up to 300 gegalitres) to support agriculture and industrial expansion in the lower Burnett region;
- new weirs at Eidsvold on the Burnett River and at Barlil on Barambah Creek; and
- raising of the Jones Weir at Mundubbera and the Walla Weir.

Draft environmental impact statements were publicly released in early September 2001 for the Burnett River Dam, Walla Weir and Eidsvold Weir projects. The comment period closed on 4 October 2001.

After completing a thorough assessment of all relevant material, including over 200 public submissions, the Coordinator-General, as the relevant State

Government authority, recommended on 31 October 2001 that the Burnett River Dam and Eidsvold Weir projects proceed.

The Coordinator-General considered the beneficial and detrimental effects of the projects, as required by the *State Development and Public Works Organisation Act 1971*, and decided that the environmental impact assessments adequately assessed these effects. The Coordinator-General further determined that the adoption of a series of recommended mitigation measures could adequately address the detrimental impacts. These measures are detailed in the Coordinator-General's report, which can be accessed at www.sd.qld.gov.au.

As at 4 February 2002, Burnett Water had received Commonwealth approvals under the Environment Protection and Biodiversity Conservation Act for Eidsvold Weir, the Barlil Weir, the Jones Weir and the Burnett River Dam. In relation to the Burnett River Dam, the Commonwealth gave its approval subject to the following two conditions:

- Burnett Water must secure compensatory habitat for the black-breasted button quail at Mount Blandy; and
- Burnett Water must develop a plan to manage the impacts of the dam on migratory species in the river estuary. This plan is to include surveys and monitoring, and measures to be actioned if the surveys and/or monitoring demonstrate an adverse impact.

Commonwealth approval for Walla Weir has not been sought because the Coordinator-General required further information before finalising his evaluation. This information primarily relates to the impacts on the *Elseya sp.* freshwater turtle.

The environmental impact statement identifies the statutory approvals required under Queensland legislation. Burnett Water will be able to apply for those approvals as soon as it receives all of the Commonwealth approvals. The principal approvals relate to the granting of water allocations under the Water Act and the change of land use provisions within the *Integrated Planning Act 1997*.

Completion of an impact assessment process does not automatically lead to a decision to invest in the project. This decision will occur when the potential investors (public or private sector) have established that they will receive appropriate rates of return will be achieved on their investment. The Queensland Government will engage a specialist consultancy firm during February 2002 to prepare a business case for the possible delivery of the projects under a public-private sector partnership model. Queensland Government policy requires such work to be undertaken for infrastructure projects with a capital value of over \$30 million.

Economic viability

The Network Economics Consulting Group has undertaken an economic analysis of the proposed water infrastructure projects. The consultancy report is included in the environmental impact statement documents produced by Burnett Water, which can be accessed at www.burnettwater.com.au.

In addition to a comprehensive discussion about the regional economic benefits to be generated by the Burnett water infrastructure development projects, the consultancy report details a cost–benefit analysis. The projects achieve strong positive economic outcomes for the wide range of assumptions tested.

The Network Economics Consulting Group's approach is considered to represent best practice for a number of reasons, including:

- the principles of the method used are essentially the same as those used for most major economic impact assessments in the past;
- the extent and depth of the analysis provided has been much more comprehensive than is usual in major project environmental impact assessments;
- the credibility and experience of the relevant economic analysts is highly regarded;
- the application of some alternative methods would be highly likely to involve considerably greater costs but could not guarantee more accurate or credible estimates; and
- the limitations and strengths of the consultancy's approach are well understood and presented.

The updated consultancy report (dated October 2001) and the supplementary report to the Burnett River Dam environmental impact statement address issues relating to available markets for the expanded agricultural production resulting from the water infrastructure projects.

Ecological sustainability

The WRPs protect the ecological sustainability of river systems in Queensland. The Burnett Basin WRP was finalised in December 2000. The environmental impact assessment completed in October 2001 extensively modelled and tested the compliance of the proposed projects in the Burnett region with the WRP's environmental flow and other objectives.

The results of this testing demonstrated that the outcomes specified in the WRP would be retained following the development of the infrastructure projects, given that the flow release strategy associated with the dam will essentially comply with the WRP's environmental flow objectives. Any

departures from the WRP objectives are minor. There are also likely to be offsetting gains associated with improved flows at the Kolan Estuary, which are a required outcome of the WRP.

On the basis of the comprehensive environmental impact assessment process, the Queensland Parliament passed minor amendments to the WRP in December 2001. The preparation of a ROP to implement the WRP was publicly notified in February 2002.

The Queensland Government considers that the Coordinator-General's evaluation reports demonstrate that the proponent has adequately addressed matters of State environmental significance. The Commonwealth (Environment Australia) has approved the environmental impact assessment under the Environmental Protection and Biodiversity Conservation Act. The approval confirms that the likely impacts on matters of national and State environmental significance are minor, and supports the development of any of the water infrastructure development proposals with the consequent social and economic benefits.

The Queensland Government has allocated \$35 million for the Burnett River infrastructure development project in the 2002 State Budget. The Government cited this decision as evidence of its commitment to build a major dam on the Burnett River. The funding will assist with the planning, design, cultural heritage management, land purchase and other necessary pre-construction activities. At this stage, the Queensland Government has projected a starting date for construction of late 2003 or early 2004.

Submissions

Submissions concerning the proposed Paradise Dam have been received from the South East Queensland Division of the Environment Institute of Australia (submission 1), Burnett Water Pty Ltd (submission 3) and Burnett Water for All (submission 11).

The South East Queensland Division of the Environment Institute (2002, submission 1) has called for the Council to delay a favourable outcome on the amended Burnett WRP in relation to the development of the Paradise Dam until matters are resolved. The institute is a professional association for more than 350 environmental practitioners employed in all fields in Australia. Its goal is to promote excellence in environmental practice. It is concerned with the integrity of formal scientific environmental impact assessment processes in decision-making. The institute's interest is in clarifying the process and scientific standards used in the modified Burnett WRP and dam assessment.

The submission does not challenge the Queensland Government's prerogative to make decisions in light of the information presented. Rather, the institute is seeking to determine whether the decision-making process raises issues regarding professional standards of environmental management policy and practice for this (and all future) developments.

The South East Queensland Division of the Environment Institute notes that approval of the Paradise Dam is conditional on an environmental impact assessment carried out on behalf of Burnett Water. As a result of widespread criticism of both the science and the process in the impact assessment, the Environment Institute of Australia (Queensland Branch) have instigated a review. The institute considers that a number of conclusions in the environmental impact assessment question whether the dam is ecologically sustainable. It is seeking clarification from the Queensland Government before finalising a position.

Burnett Water is a Government-owned company established as the proponent for the dam project. The Minister for State Development is the sole shareholder of Burnett Water.¹⁰ The Department of State Development, charged with progressing water infrastructure in the State, is overseeing this project. Burnett Water argues that the proposed water development projects in the region are economically viable and ecologically sustainable. The submission raises the following matters in support of this view.

- Environment impact assessments were completed for five water storages in the Burnett: the Paradise Dam site, the Eidsvold Weir, the Barlil Weir and the raising of Jones Weir and the Walla Weir. Sinclair Knight Merz conducted the assessments.
- All State and Commonwealth environmental approvals have been received for all developments except the Walla Weir (which the Queensland Coordinator-General deferred until further studies are completed).

Economically viability

The environmental impact assessment included an assessment of the regional economic impact and a cost–benefit analysis. The work was done by Network Economic Consulting Group, Professor John Mangan (Queensland University), and Alliance Economics (see www.burnettwater.com.au). They concluded that the proposed Burnett projects are economically robust and provide net economic and social benefits. In summary, the regional economic benefits of the five proposed water storages are:

- net benefits of \$1.7–\$2.9 billion;
- a 70 per cent increase in the available regional water supply and improved reliability of water delivery in the region;
- the growth and development of value added services and products;

¹⁰ The Minister has no legislative role in the environmental impact statement process. The Department of State Development's role is to coordinate whole of Government consideration and resolution of issues relating to the projects.

- increasing regional financial security due to more reliable agricultural production;
- the establishment of service industries and employment for youth and indigenous peoples;
- 1200 full-time jobs and the retention of 1700 jobs during construction of the projects. Nearly 900 jobs are from direct construction of the projects and complementary infrastructure;
- more employment from the infrastructure, including 7500 jobs in agriculture and 1000 jobs in value adding projects;
- an increased turnover of over \$1.6 billion per year in agricultural production. With value added projects, the turnover could be nearly \$2 billion per year in increased total output; and
- more than \$850 million of economic growth (gross domestic product).

Environmental sustainability

- The environmental impact assessment found minor amendments to the Burnett WRP would be needed to allow the implementation of the projects. The Water Infrastructure Development (Burnett Basin) Amendment Act made minor amendments to the WRP in December 2001.
- Under the Water Act, the next stage of the new Burnett WRP is the preparation of the ROP. Completion of the ROP is a condition for any final commitment to the Burnett River Dam and relevant weirs. All efforts will be made when the ROP is complete to refine infrastructure operation strategies to improve the environment flow targets in the WRP.

Burnett Water for All oppose the Paradise Dam as being neither economically viable, nor environmentally or socially sustainable. Its submission raises the following matters in support of this view.

The approval process

- All mainstream studies show that the dam is not an environmentally, economically, or socially viable proposition.
- Scientific studies, including the draft water allocation management plan for the Burnett Basin (June 2000), show the river is almost fully allocated.
- In realising that additional infrastructure would be needed in the Burnett to get Paradise through, the Government has legislated that the mean annual flow can be reduced to 72 per cent of natural flows, or 9 per cent less than the 81 per cent recommended by the water allocation and management plan.

-
- The environmental impact statement, which was undertaken over approximately six weeks, is overriding many years of scientific studies and community consultation. It is considered to be inaccurate, biased and largely unsubstantiated. This view is supported by three State Government departments (the Department of Natural Resources and Mines, the Department of Primary Industries and Fisheries, and the Environment Protection Agency). The response of these agencies to the environmental impact statement was that it did not adequately address a number of major impacts and that further investigation was required. In signing off the environmental impact statement, the Government ignored the reports and recommendations of these departments and the water allocation and management plan studies.

Economic viability

- The cost of the water from Paradise Dam reportedly will be \$1300–1500 per megalitre to cover the capital expenditure, with annual water charges for delivery of \$50 per megalitre. This cost does not incorporate the mitigation strategies proposed to 'handle' environmental damage. The environmental compliance costs for Walla Weir on the Burnett River are reported to be enormous, compared with the original budget.
- Bundaberg irrigators are arguing that the cost of the water is too high and are requesting subsidies from the Government. Public meetings are talking of 'government–industry' partnerships and media releases are claiming that water is 'the last straw' for the Bundaberg sugar industry. A cost of \$70 per megalitre to lease new allocations is argued to be more feasible for local growers.
- Paradise Dam is unlikely to proceed without Government subsidies. The Nathan Dam in the Fitzroy Basin is yet to proceed due to the failure to source adequate private sector finance.
- Queensland Treasury seriously questions the claimed economic benefits, stating they are optimistic.
 - The \$650 million additional vegetable production represents a 120 per cent increase over existing vegetable production levels in Queensland (\$540 million). It is also questionable whether markets have been identified for this level of vegetable produce.
 - Treasury questioned the 484 full time jobs to be created during construction (as noted in the economic analysis). The environmental impact statement states that a construction force of 40 would be needed.
- The economic analyses in the Paradise Dam environmental impact statement do not account for the economic costs to the region from:
 - losses from reduced water harvesting;

- losses from reduced water reliability;
- increased salinity;
- the loss of future opportunities for inland Burnett communities;
- algal blooms;
- losses to fishing and tourism;
- the loss of ecosystem services; and
- compliance with mitigation strategies.

Ecological sustainability

- The Burnett Water proposal fails to meet (by far) the environmental flow limits recommended in the Burnett WRP. The Department of Natural Resources and Mines and the Environment Protection Agency also noted this failure in their responses to the environmental impact statement.
- The risk assessment diagrams produced by the Technical Advisory Panel for the water allocation and management plan showed that increased levels of water allocation in the Burnett Basin are likely to change the river's flow regime and increase the likelihood of major impacts on riverine health and ecological conditions.
- In the longer term, the impacts arising from existing levels of development can be expected to be greater than those already apparent.
- The Paradise Dam will capture a significant proportion of the small flows which occur every one to two years resulting in a substantial breach of the recommendations of the water allocation and management plan. This severe reduction in small flows will have a profound impact on the entire ecology of the Burnett River system, affecting:
 - water quality, salinity, nutrient concentration, pesticides and heavy metals;
 - fish populations (both freshwater and estuarine);
 - aquatic fauna habitats;
 - algal blooms (blue green algae), which already are a problem in Burnett storages;
 - aquatic weeds such as *Salvinia*, which choke the river and deprive fish of oxygen; and
 - silt levels and thus the river channel shape and form.
- The State of the Rivers study for the Burnett reported that the Burnett River was generally in a poor state of health. Specifically, it found:
 - moderate to high disturbance of some environs;

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- generally low diversity of the channel habitats;
 - riparian vegetation in poor condition;
 - restricted passage for aquatic organisms in the majority of the area due to barriers such as weirs, and log jams; and
 - moderate to poor instream aquatic habitats, exhibiting few features to provide habitat for aquatic organisms.
- A recent study of the estuarine area of the Burnett River found low fish and crustacean recruitment levels, which indicate a highly regulated river with a degraded fish habitat.
 - The Burnett River system is gifted with two rare inhabitants, one of which (the lungfish) is native to the Burnett and Mary rivers of south east Queensland. The other is the *Elseya* freshwater turtle. Both of these aquatic animals are threatened by the construction of Paradise Dam.

Water quality targets and the Great Barrier Reef

- Development of Paradise Dam will prevent the Burnett River reaching water quality targets set as part of the recently announced Great Barrier Reef Water Quality Action Plan.
- The plan identifies irrigation infrastructures such as dams and weirs as a threat to existing fisheries through siltation of the Burnett River below the barrage. It specifically lists dams as having the capacity to modify water regimes and have a significant downstream impact on the Great Barrier Reef World Heritage Listed Area.

Alternatives to the Dam

- Water use efficiency as an alternative to infrastructure was much understated in the environmental impact statement. Up to 80 gigalitres per year could be saved by upgrading the channel system and improving water use efficiency in the Bundaberg Irrigation Area.
- Water use efficiency by irrigators over the whole catchment can generally be improved by 10–30 per cent, with potential gains of up to 50 per cent for some systems, using a combination of:
 - water scheduling;
 - trickle irrigation;
 - water reticulation (water recycling); and
 - fixed bed systems.
- A Technical Experts Group organised by the Department of Natural Resources and Mines, in conjunction with the Burnett Development

Reference Group (a community panel), carried out an assessment of 30 of the infrastructure alternatives for the Burnett Catchment during 2000. This process rated each proposal over a large range of environmental, social and economic criteria. Members of this group reported that Paradise Dam dropped out of the assessment at several stages, as a result of poor performance, yet kept re-appearing at each subsequent stage, for political reasons.

Water trading

Progress report: Progress with implementing interim trading arrangements.

Next full assessment: The Council will assess intrastate trading arrangements in 2003, and interstate trading arrangements in 2004.

Reference: Water reform agreement, clause 5

Queensland progress – Mareeba Dimbulah trading trial

Under the Water Act 2000 there are two types of permanent trading allowed.

1. The trading of interim water allocations (that is the existing entitlements held by SunWater customers); and
2. Trading of water allocations at the completion of the resource operations plans.

In respect of the interim trading, this is undertaken by the making of a regulation under Section 193 of the Water Act. This statutory provision continues head of powers which existed under the *Water Resources Act 1989* allowing for the permanent transfer trading trial which commenced in the Mareeba Dimbulah Irrigation Area in 1999.

The Department of Natural Resources and Mines is in the process of completing an evaluation of the Mareeba–Dimbulah trading trial with a view to extending it to a number of other SunWater supply schemes pending the completion of the resource operation plans. Trading of interim water allocations is different from trading water allocations as shown in table 4.5.

Table 4.5: Local government services with between 1000 and 5000 connections

<i>Interim Water Allocations</i>	<i>Water Allocations</i>
Must be reattached to land	Separated from land title under the Water Act 2000
Terms and conditions same as licences (set periods, may be cancelled, varied, amended any time)	Granted for a period of 10 years
Administrative data base and licensing system	Water allocations register.

Source: Queensland Government (2002)

The preliminary results of the evaluation on the Mareeba trading trial are that:

- there have been relatively low volumes permanently traded. Over the two and a half year period, some 785 megalitres of a total of 150 gigitalitres of nominal allocation has been traded. Applications for transfer of a further 4 gigitalitres are pending;
- the requirement to do a land and water management plan as a precondition to a trade has not been an impediment;
- there is no need for the public advertising of a proposed transfer, given that there is a requirement for vendors to provide evidence of notification to any third party financial interests;
- there is a need for a sliding scale for transaction fees, given that people wanting to set up a new enterprise may need to secure small volumes of water from a number of different purchasers, and that this can bring with it significant transaction costs; and
- there has been an evolving refinement of the administrative procedures for processing applications, and notification requirements for SunWater to supply evidence of supply contracts with the intended purchaser.

It is proposed that this interim trading will be extended to a number of SunWater schemes, and that those schemes will be chosen on the basis of, among other things:

- Time until the likely implementation of permanent trading of water allocations. For example, it is not proposed to extend the permanent trading trial in the Fitzroy Basin when the release of a draft resource operations plan is imminent;
- Demonstrated evidence through level of temporary trading, of the demand for water by existing entitlement holders; and
- Whether there are significant resource management issues to be dealt with in the water resource plan (such as the Murray Darling catchments) that would make it inappropriate to introduce interim trading ahead of the current planning processes.

Taking these factors into account, and given the administrative burden it brings upon staff to implement the trading, the current Department of Natural Resources and Mines proposal, subject to Government approval and stakeholder consultation, is for it to be extended to other SunWater channel systems. It is intended this will occur in the first half of 2002, subsequent to the commencement of the remaining provisions of the Water Act.

Queensland progress – Trading water allocations under a ROP

The implementation of trading of water allocations issued under a ROP framework will not be possible until after the formal completion of the first ROP. This is scheduled to occur with the finalisation of the Fitzroy ROP in the second half of 2002, to be followed by the Burnett ROP in the first half of 2003.

Introduction of permanent trading of water allocations in the Fitzroy Basin under a ROP will be the first major permanent water-trading regime in Queensland. The ROP for the Fitzroy basin will define the rules under which trading can occur. With the implementation of the ROP, transferable water allocations resulting from the conversion of existing licenses will be recorded on a Water Allocation Register. The Register will be used to record details of all transferable water allocations and the corresponding dealings and interests.

More generally, the Water Act, in separating water entitlement from the land title, will enable water trading to be introduced in those areas where a WRP and a ROP exist. Under the Water Act, three types of water trading will be permitted:

- permanent transfers of water allocations;
- leases of water allocations; and
- seasonal assignments (that is, assignments of the benefit under a licence to another person for a water year, or all or part of the water that may be taken under an allocation).

Land and water management plans must be prepared by all irrigators before they will be able to purchase or lease water, except those purchasing seasonal assignments. However, seasonal assignments are to be used to meet unexpected water requirements and are not to be used in a systematic way.

The underlying principal for trading rules, that will be established for each catchment where trading is introduced, is that transfers must not compromise the ability of the resource manager to meet the key environmental flow objectives and water allocation security objectives established in the WRP for that catchment.

Other issues raised by submissions

The Chairman of the St George customer council (2002, submission 4) raises some concerns about rural water pricing in Queensland including the lack of constraints on the price SunWater charges for some types of water. SunWater has argued, for example, that some types of water it supplies do not come under the Queensland price path. For this water, SunWater can therefore charge what the market will bear. SunWater also sells water by tender that it

considers surplus (into a market short of water) partly because of the inability of the SunWater storage to deliver water at an agreed level of reliability.

Institutional reform: structural separation

Progress report: Improving the transparency of reporting price and subsidy information for smaller local governments, the role of the ombudsman in regulating service standards for local government and the management of drinking water standards.

Next full assessment: The Council will assess institutional reform in 2003.

Reference: Water reform agreement, clauses 6(c) and (d)

Background

In 2001 the Council identified some outstanding issues in the level of separation of service delivery from price regulation and setting and enforcing service level standards in smaller local governments. It also raised issues on the management of drinking water standards.

Two processes were discussed that would resolve the issues in regulating prices and service levels. First, Queensland committed to working with the Local Government Association of Queensland to determine arrangements for ensuring information is made publicly available about pricing arrangements, community service obligations and cross-subsidies for individual local governments. This focus on transparent reporting recognises that full price regulation is not cost effective for smaller local governments. Instead mechanisms are needed to improve transparency through the availability of public information on pricing and the ability to compare local governments against each other.

Second, once local government water businesses prepare their customer service standards customers can raise any complaints with the State Ombudsman. However, at the time of the 2001 NCP assessment the Council had little information on the scope of the Ombudsman's powers. More information was needed to assess whether the Ombudsman would address service standards issues in a timely way.

On the issue of drinking water standards, in 2001 the Council noted that a Productivity Commission report (PC 2000) had concluded that in Queensland responsibility for drinking water quality rests with local governments and, unlike most other States, Queensland had no mechanism for enforcing quality standards. The Council's 2001 NCP assessment report also recognised that Queensland was reviewing its *Health Act 1937*. Queensland noted the need to take a flexible approach to the Australian Drinking Water Guidelines in rural and remote areas. The Council said it would look further at what structures were in place to manage drinking water standards across the State.

Queensland Progress

The Queensland Government already collects information from local governments on a voluntary basis and compiles that information into the *Queensland Local Government Comparative Information Report*. Nearly all local governments participate in this reporting process. This year's report is publicly available on the Department of Local Government website. Queensland has committed to working closely with the Council prior to sending the next survey to Local Governments to ensure that the information collected covers the areas necessary to meet the NCP reform commitments. Queensland will also work with the Council to overcome any practical difficulties in reporting some of the more detailed pricing information.

The Queensland Ombudsman currently has the power to investigate any complaint about the administrative actions and decisions of local governments. This includes all aspects of compliance with service standards. The Ombudsman cannot review the standards themselves, only the local government's compliance with its stated standards. The Ombudsman also has the power to conduct investigations on its own initiative if it considers such investigations are warranted.

On receiving a complaint, the Ombudsman, investigates the issues and then reports its recommendations to the local government. If the local government does not accept the Ombudsman's recommendations, the Ombudsman may refer the matter to the Premier and to Parliament. The Ombudsman's powers are recommendatory only. Queensland argues that the Ombudsman process provides transparency in the way complaints are dealt with by local governments and water authorities.

In developing guidelines for customer service standards, the Water Industry Compliance Division of the Department of Natural Resources and Mines will consult with the Ombudsman to ensure its experiences in dealing with complaints about local government water supply services is an input into the development of any standards.

Queensland's review of the *Health Act 1937* is still underway. The results are not expected until mid-2003 at the earliest. Queensland is intending to require both public and private sector water providers to prepare drinking water quality plans. The Department of Health will undertake extensive consultation on the development of these plans and is currently talking with local government on how the public can access the plans and how local government will report annually against the plans.

The Department of Health is expected to complete drafting the new Health Act at the end of 2002. The process of developing drinking water quality plans is expected to commence in early 2003.

Commercial focus

Progress report: The Council will provide an update on the commercialisation of the Townsville—Thuringowa Water Supply Board.

Next full assessment: The Council will assess institutional reform in 2003.

Reference: Water reform agreement, clause 6(f)

Background and progress

In the 2001 NCP assessment the Council noted that nearly all major water businesses had been set up with a commercial focus. However, commercialisation of the Townsville–Thuringowa Water Supply Board had been delayed.

On 1 July 2001 the Townsville–Thuringowa Water Supply Board was commercialised and began trading under the name of NQ Water. As part of the process of commercialisation, the board has reviewed full cost pricing arrangements within NQ Water. Tax equivalents and dividends are being paid and asset valuations have been based on the deprival method. The Board has advised Queensland that it is pursuing complete compliance with full cost pricing principles.

NQ Water is also reviewing its structure and future roles as a bulk water supplier. The expected restructure is anticipated to take six to nine months. Following the restructure the board will commence a significant pricing review. The CEO has foreshadowed consolidation of bulk water infrastructure, rationalisation of non-strategic infrastructure and application of NCP principles as being the key drivers for the restructure.

Devolution of irrigation scheme management

Progress report: Whether customer councils are an effective mechanism for irrigator input into decision making.

Next full assessment: The Council will assess institutional reform in 2003.

Reference: Water reform agreement, clause 6(g)

Background

In its 2001 NCP assessment the Council concluded that Queensland's approach to local management is restrictive. Therefore, the Council focussed on the customer councils as the most likely mechanism for providing irrigators with more input into the operation of schemes. The water reform framework envisages more than consultation: it requires these committees to have input into decisions on the management of irrigation areas.

Queensland Progress

During 2001, SunWater established 11 Customer Councils. This included electing members to the councils, establishing constitutions and providing a budget from SunWater for their operating costs. Each Customer Council individually manages its budget. There are three schemes that have decided not to formalise their status as a Customer Council whilst they are negotiating with the Queensland Government on water pricing policy matters.

Queensland has reported that the following matters were discussed with the Customer Councils during the year.

(1) Review of standard supply contracts

SunWater held discussions with each customer council on the standard supply contract approved by the Minister for Natural Resources and Mines in November 2000. Councils were invited to provide comment on the contracts with a view to negotiating changes to meet customer needs and concerns. Nine Customer Councils provided comments to SunWater directly, or through the Queensland Farmers Federation. SunWater discussed the issues with Customer Councils. Queensland Farmers Federation proposed 23 changes to the standard contract. A proposed contract that addresses issues raised by Customer Councils was sent out in December 2001, and SunWater is seeking comments in early 2002.

Feedback to date from Customer Councils and the Queensland Farmers Federation is that the process has been positive and many issues within the original contract have been adequately addressed.

(2) SunWater, in consultation with all Customer Councils, numbering about 140 members, is undertaking the following:

- Development of scheme rules
- Development of Service Charter and Service Targets, such as planned shutdowns, unplanned shutdowns, complaints handling
- Direction of longer term planning for a water supply scheme or for schemes in each area.
- Establishment and monitoring of performance against agreed standards of service.
- Monitoring of performance against efficiency benchmarks
- Area wide issues such as, metering, billing, access to customer data, use of chemicals in the water supply etc.
- Reporting against works programs and operational activities for each scheme, including backlog and renewals.

- Advice and input into the priorities for asset and refurbishment plans for the next one and five year plan(s) after observing the impact of currently implemented actions.
- Asset condition reporting.
- Advice on the type and scope of information that should be communicated from SunWater to its customers.
- Discussion of regulatory issues of common interest to SunWater and its customers.
- Procedures for dispute resolution.

(3) Council Chairs met for a day meeting (late 2001), with the Minister for Natural Resources and Mines and SunWater Board members to discuss policy and operation matters. Another meeting is planned for early 2002.

(4) Transparency of Financial Information

SunWater provided the following information to customers for each scheme:

- Total costs as a percentage of the water reform unit targets;
- Total revenue as a percentage of the water reform unit targets;
- Benchmark proportion of cost between categories;
- Actual proportion of costs between cost categories;
- Proportion of revenue between sectors; and
- Actual renewals spent compared to renewal annuity revenue collected.

(5) Water Pricing

Where SunWater sets prices, discussions were held with Customer Councils in relation to the basis for these proposed prices, and feedback sought. An independent facilitator was contracted to work with all Customer Councils to facilitate the communication process and negotiate issues between parties.

Submissions

The chairman of the St George customer council (2002, submission 4) stated that, while some issues were progressed through the customer council, SunWater was not willing to discuss all of the issues of interest to these councils. The submission was also critical of the amount of financial information available to the customer councils.