

5 Western Australia

Outstanding assessment issues

Provision for the environment

Outstanding issue: Western Australia should provide an updated implementation program, including a list of existing plans and the date of effect of these plans for both surface water and groundwater systems.

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 the National Competition Council's 1999 NCP assessment, the Council published Western Australia's implementation program for developing water management plans for groundwater and surface water, and provision for the environment. The implementation program contained an assessment of the level of use of each water resource and a forward timetable of dates for the development of environmental water provisions.

In June 2000, Western Australia conducted a water assessment that resulted in improved data. In the 2001 NCP assessment, the Council accepted that Western Australia might need to revise the implementation plan published in 1999 to align it with the new data and priorities identified. The Council indicated that it would continue to monitor both the progress made in developing plans and any increased water use that may require particular plans to be completed earlier than scheduled.

The Council requested Western Australia to provide an updated implementation plan in the 2002 NCP assessment. This could include a list of existing plans and the date of effect of these plans for both surface water and groundwater systems. Regarding provision for the environment, Western Australia derives most of its water supply from groundwater and has identified no stressed river systems, so the State has until 2005 to fully implement its implementation program in this area.

Western Australian arrangements

Western Australia continues to progress the implementation of water allocations for the environment. As reported in the 2001 NCP assessment, the *Rights in Water and Irrigation Act 1914* formalises Western Australia's approach to providing water for the environment through a tiered system of statutory water management plans on a regional, subregional and local basis. Environmental water provisions are set in water management plans in the form of a notional or interim allocation limit, a water level regime for groundwater systems, or through formal assignment in areas where the resource is highly or fully committed.

Attachment 1 contains a revised implementation program that outlines the current status of water management plans in Western Australia. The table includes a list of all groundwater and surface water plans, dates of effect, the last action to have occurred in relation to the plan, and proposed actions. Water management plans continue indefinitely but it is a legislative requirement that plans are reviewed every seven years. If the plan is satisfactory it may continue unchanged. Western Australia advised that reviews are undertaken in the following circumstances.

- Plans have become outdated. This refers mainly to plans developed in the early to mid 1990's prior to the establishment of the Water and Rivers Commission. An updated plan will account for increasing demand, changing water and land use patterns, environmental considerations, community consultation and revised forecasts for future use, climate change and so on.
- It is decided that older plans do not have the comprehensive environmental allocation analysis required to establish environmental water requirements.
- Further data and analysis yield a better technical understanding of the resource and its response to pumping, leading to a revision of allocations (with some being increased and some being decreased).
- A sharp increase in demand for allocation water requires a more comprehensive determination of environmental water requirements and resource allocation limits.
- Greater 'in-depth' public consultation is undertaken.

Assessment

Western Australia has provided a revised implementation program for the implementation of water management plans, reports and allocation strategies. The program shows there were no stressed or overallocated surface water systems that required action by June 2001.

The Council is satisfied that Western Australia has met the outstanding 2001 NCP commitment. It will use the revised program to assess compliance in the 2004 and 2005 NCP assessments.

Environment and water quality: integrated catchment management

Outstanding issue: Western Australia must show progress in implementation of integrated catchment management reforms.

Next full assessment: The Council will assess integrated catchment management reforms in detail in 2003 when it will expect the reforms planned in 2001 to have been implemented and any outstanding issues to be resolved.

Reference: Water reform agreement, clauses 6(a–b) and 8(b–c)

Background

In the 2001 NCP assessment, the Council was concerned with Western Australia's slow progress in implementing actions to address broader catchment management issues. The reasons cited for the slow process included delays in establishing partnership agreements with natural resource management bodies which are to develop and implement regional strategies. Western Australia acknowledged that there had been slow take-up of some strategies aimed at catchment recovery, such as reduced tree clearing, and that Western Australia was changing its approach to improve progress.

As at June 2001, one regional strategy by the South Coast regional planning team was endorsed by natural resource management agencies and four others were at the draft stage. Processes were also under way in accordance with the National Action Plan on Salinity and Water Quality, which may require changes to the implementation of natural resource management. The Council undertook to continue to review the implementation of integrated catchment management in the 2002 NCP assessment.

Western Australian arrangements

Western Australia has endorsed an integrated catchment management–natural resource management policy for the State.¹ The Minister for Agriculture and the Minister for Environment oversee the natural resource management processes. A Senior Officers Group (involving representatives

¹ This policy excludes fisheries and minerals.

from Western Australian agencies²) has been formed to address natural resource management issues.

Partnership agreements between the Western Australian Government and natural resource management groups are in development to provide support, clarify expectations and quantify deliverables. The five natural resource management groups that will implement the natural resource management policy are South Coast, South West, Swan, Avon and Northern Agriculture. Additional natural resource management groups will be established in the Pilbara and Kimberley.

Each natural resource management group has subcatchment groups, which have local action groups. Membership of all of these groups comprises representatives from the community and the Government. A Regional Chairs Coordinating Group comprises the chair of the natural resource management groups, senior Government representatives and representatives of the Pilbara and Kimberley.

All five natural resource management groups have prepared regional strategies that are in different phases of development. All have draft strategies, although two strategies are being rewritten (South Coast³, and Northern Agriculture). One strategy is out for community consultation (South West). Two more strategy plans (Swan and Avon) are being reviewed in light of submissions from public consultation.

All strategies will be reviewed to ensure compliance with the requirements of the National Action Plan on Salinity and Water Quality and National Heritage Trust II. State Government departments are working with the five regional natural resource management groups to update and finalise the regional strategies against the accreditation criteria. The Natural Resource Management Ministerial Council set criteria under the National Action Plan for Salinity and Water Quality and the extension to the Natural Heritage Trust.

Two draft regional strategies (Avon and South West) have been sent to the Commonwealth for informal assessment against the accreditation criteria by Agriculture, Fisheries and Forestry Australia and Environment Australia. A workshop with Commonwealth representatives and the regional groups is intended to work through deficiencies in the draft strategies from a Commonwealth perspective, ensuring the final strategies meet Commonwealth objectives.

² These include the Department of Agriculture, Conservation and Land Management, the Water and Rivers Commission, the Department of Environmental Protection, the Ministry for Planning and the Department of Land Administration.

³ The South Coast strategy was endorsed by agencies but not by the Cabinet Standing Committee on natural resource management. Western Australia subsequently decided to review the strategy and to prepare a new vision.

In other developments, the Water and Rivers Commission is devising a high value waterway strategy to cover allocation planning for extractive uses. A Statewide assessment method will be used to assess the value, condition, pressure and required management responses for each waterway. Assessments will consider the demands and conditions of the waterway based on environmental, social and economic parameters. The strategy will be the subject of public consultation.

Assessment

Since June 2001, there has been some progress in the development of the regional strategies. At the time of writing, Western Australia was in the process of negotiating with the Commonwealth to sign an intergovernmental partnership agreement as part of the National Action Plan on Salinity and Water Quality. The development of the regional strategies to achieve integrated catchment management objectives, including salinity management, will be negotiated as part of any final bilateral agreement under the National Action Plan process.

The Council is satisfied that Western Australia has met the outstanding 2001 NCP commitment. It will next assess integrated catchment management arrangements for all states in the 2003 NCP assessment.

Environment and water quality: National Water Quality Management Strategy

Outstanding issue: Western Australia is to finalise and publicly release a State water quality implementation plan and completed draft strategy guidelines for freshwater and marine water quality, drinking water, and water quality monitoring and reporting.

Next full assessment: The Council will reassess this area for all jurisdictions in 2003.

Reference: Water reform agreement, clause 8(b) and (d)

Background

In 2000, Western Australia developed the State Water Quality Management Strategy as the framework to implement the requirements of the intergovernmental National Water Quality Management Strategy. Cabinet endorsed the State strategy in April 2001. The next stage was to develop a State water quality implementation plan to set the priorities for implementing the national strategy guidelines.

The endorsement of the State Water Quality Management Strategy meant Western Australia met minimum commitments for the 2001 NCP assessment, but the Council expressed concern at the rate at which the State was adopting the National Water Quality Management Strategy. Western

Australia is one of the last jurisdictions to adopt the strategy in a meaningful way.

In the 2001 NCP assessment, Western Australia provided the Council with a provisional timetable outlining a process to implement the national strategy. Given the delays in implementation to date, the Council determined that it needed to examine evidence of progress against this timetable over the following three NCP assessments. In the 2001 NCP assessment, the Council stated that for the 2002 NCP assessment it expected:

- the finalisation of the State water quality implementation plan and its release as a public document; and
- completed drafts for public release showing the means of implementation of National Water Quality Management Strategy guidelines for:
 - freshwater and marine water quality;
 - drinking water; and
 - water quality monitoring and reporting.

Western Australian arrangements

Western Australia provided the Council with information in respect of all modules of the National Water Quality Management Strategy (Attachment 2).

Western Australia restated its commitment to implementing the national strategy. It released the State strategy in May 2001 and fully adopted the strategy as State Government policy. The State water quality implementation plan is under development and Western Australia has advised that the plan is a priority for 2002–03. Western Australia has advised that the plan was not prepared for release in 2001–02 as priorities were diverted to drought management measures (such as finalisation of water source protection plans for public drinking water sources, conservation measures, planning new sources etc).

Western Australia submits that it has applied the national water quality management strategy in a practical and meaningful way through a variety of programs outside the formal national water quality management strategy program submitted to the Council in the 2001 NCP assessment. Examples are the development of an environment protection policy for Cockburn Sound with full community and stakeholder consultation, and the ongoing assessment and licensing of development proposals. These ongoing tasks are subject to formal legislative processes that use the national water quality management strategy guidelines.

A Senior Review Panel of Government representatives chaired by the Water and Rivers Commission is responsible for implementing the State strategy. A

Community and Industry Advisory Committee is being formed to assist in the implementation of the State strategy. A meeting was held in February 2002 to seek expressions of interest for membership to this committee. The committee will be involved in strategic level policy formulation, guideline preparation and water quality management programs, objectives and strategies.

The State water quality implementation plan has not been finalised but is planned for release by December 2002. Other documents that support the plan, however, were progressed in Western Australia.

Framework documents for freshwater and marine water quality, and water quality monitoring and reporting have been prepared. A draft implementation framework for *Guidelines for Fresh and Marine Water Quality* and *Water Quality Monitoring and Reporting* (national strategy modules No. 4 and 7) was expected to be finalised by August 2002. Consultation with Government agencies is complete and other stakeholder consultation commenced in May 2002. The finalisation of these documents is subject to the Environmental Protection Authority's report of its findings to Government. The documents will be referred to the State representative panel for comments as part of the process for finalisation, and are expected to be finalised by December 2002. The Chairman of the Environmental Protection Authority has indicated that these documents will form part of a series of State water quality management strategy documents.

The Health Department and Water Corporation of Western Australia (the major water service provider) have developed a memorandum of understanding that includes provisions for safe drinking water consistent with the 1996 national guidelines.

Western Australia has advised that drinking water supplies are expected to meet these guidelines by December 2002 in the metropolitan areas and by 2005 in country areas. In the interim, Western Australia advises that it is preparing local water source protection plans that set out the regulations, policies and action required to protect individual drinking water sources. In February 2002 a working draft of the *Western Australian Guidelines for Direct Land Application of Biosolids and Biosolids Products* was released. These guidelines are based on the National Water Quality Management Strategy *Draft Guidelines for Sewerage Systems Sludge (Biosolids) Management 2000*.

In March 2000 Western Australia released *Environmental Guidelines for New and Existing Piggeries* which are consistent with the *Effluent Management Guidelines for Intensive Piggeries* of the National Water Quality Management Strategy.

Water source protection plans for drinking water supplies have continued. Source protection plans have been completed for Derby, Mooloolah, Allanooka/Dongera/Denison and Quinup. Draft plans exist for Preston Beach and a number of Perth Hill catchment sources. The Preston Beach plan has been released for public review.

It is Western Australia's position that development of implementation plans for some national guidelines is not warranted at this time given the low numbers of relevant industries in Western Australia (for example wool scourers). Additionally, other guidance documents will be required to be developed in Western Australia that are not related to the national guidelines but are important to the successful implementation of other State water quality initiatives.⁴ For some implementation plans, preparation of supporting documents has preceded finalisation of the implementation plan.

Western Australia does not consider the development of a specific implementation plan for groundwater protection national guidelines (module 8) is necessary at this stage given existing mechanisms are consistent with the national guideline. These processes include groundwater abstraction licensing, gazettal and management of underground water pollution control areas in Gngangara and Jandakot. These areas have additional protection measures through land use and water management strategies to protect groundwater quality. These strategies were developed across Government agencies and through public consultation.

The Water Corporation and Water and Rivers Commission is planning to review the work program in relation to national guidelines 8 and 11 to 15 if resources permit during 2002–03.

Discussion

A review of the detailed implementation timetable (published as Attachment 3 in the 2001 NCP assessment for Western Australia) shows that a draft of the State water quality implementation plan should have been released in December 2001 for two months public consultation, with a final plan prepared and published by May 2002. Public consultation is now scheduled in December 2002.

In relation to the development of the individual National Water Quality Management Strategy modules, the timeframes set by Western Australia in the 2001 NCP assessment that are relevant to this NCP assessment are as follows:

- for the Guidelines for Fresh and Marine Water Quality (module no. 4), release of a draft framework for public comment by February 2002 (with the final framework scheduled for release by the end of July 2002);
- for the Australian Drinking Water Guidelines (module nos 5 and 6), release of a draft for public consultation in February 2002, endorsement by the panel in May 2002 and a final framework published by the end of June 2002;

⁴ For example, support documents for the proposed statement of planning policy for public drinking water source areas.

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- for the Guidelines for Water Quality Monitoring and Reporting (module no. 7), release of a draft by April 2002 for two months of public consultation;
 - for the Guidelines for Groundwater Protection in Australia (module no. 8), release of a draft by the end of May 2002;
 - for the Guidelines for Sewerage Systems – Effluent Management (module no. 11), release of a draft framework by the end of May 2002; and
 - for the Effluent Management Guidelines for Dairy Sheds (module no. 16a) and Effluent Management Guidelines for Dairy Processing Plants (module no. 16b), release of a draft framework by January 2002 and the final framework published in June 2002.

Western Australia has argued there is a need to change the agreed timetable provided in the 2001 NCP assessment and that it does not believe that compliance with the timetable should be the sole basis for assessment of its commitment to implementing the National Water Quality Management Strategy. Information provided by Western Australia during the course of this assessment indicates that work on ten of the guidelines scheduled for commencement in 2001–02 has not started and is not scheduled to commence in 2002-03 either.

Western Australia has not met the outstanding 2001 NCP commitment and has made little progress against its water quality commitments in the water reform agreements. In 2001, the Council published a three-year timetable for Western Australia to meet its commitments. Western Australia has made no progress against that timetable and has withdrawn from some of the commitments it made at that time.

The Council also notes that all governments first agreed on the policies of the National Water Quality Management Strategy and the national module for freshwater and marine water in 1992. Western Australia is yet to release a draft of its guideline for this module for public comment. According to the timetable, two months is needed for public consultation and a further four months to finalise the policy. A draft of the Guidelines for Water Quality Monitoring and Reporting is also yet to be released for public consultation.

Western Australia has advised that it prefers to wait for the next revision of the national drinking water framework before progressing a State based implementation plan. The Council does not support this approach. While Western Australia has completed a number of local water source protection plans for individual drinking water sources, the Australian drinking water guidelines were first developed in 1987 and revised in 1996. Moreover, the Council is aware of water quality supply issues in a number of smaller rural areas, and in groundwater a number of land uses in priority areas have resulted in the closure of some production wells. The Council is not aware of any good reasons why the national guidelines have not been implemented in Western Australia by now.

Further, with regard to the Guidelines for Groundwater Protection in Australia the Council does not accept Western Australia's position that implementation is unnecessary at this time. The Council accepts Western Australia has processes in place to address groundwater resources at Gnangara and Jandakot, but notes that there are significantly more groundwater resources in Western Australia than these two areas.

With regard to the information provided in Attachment 2, the Council makes the following comments concerning Western Australia's justifications for not applying the national modules:

- Rural land use (module 9) and dairy sheds effluent (module 16a). The Council is concerned that Western Australia's mechanisms may not address this module particularly with regard to broadscale agriculture activities. Some potentially polluting activities such as land clearing are not considered to be polluting activities under the Environment Protection Act. Dairying also remains a significant polluting activity in south west Western Australia with some 70 per cent of nutrient entering Geographe Bay, yet these activities are unlicensed and unregulated under the Act, and they do not meet acceptable effluent management practices.
- Trade/industrial waste acceptance (module 12). The Water Corporation has well developed trade waste acceptance criteria, although enforcement of the criteria has been somewhat problematic. Considerable work has been done in Cockburn Sound and Peron outfall. The Council accepts Western Australia's arguments that this module should have a lower priority.
- Wool scouring and carbonising (module 18). While Western Australia has only one wool scourer, the Council understands that the discharges are not regulated and include the use of a wetland as a treatment pond.
- Tanning and related industries (module 19) and wineries and distilleries (module 20). All tanneries and major wineries with wastewater treatment are licensed in Western Australia. The guidelines for other wineries are based on best practice. The Council accepts Western Australia's justifications for not applying these modules.

Western Australia has made little progress in declaring the environmental values of water to be protected, in identifying water quality objectives, or in setting targets to be incorporated in management plans. A number of key environmental protection policies were developed in 1997 for marine waters, groundwater, and rivers and estuaries. These policies, which would provide for the statutory declaration of environmental values are, however, still in draft form.

Assessment

Western Australia has not met its outstanding commitments. While this would ordinarily be considered within the Council's assessment of whether Western Australia should receive all of its NCP payments, the Council is prepared to allow Western Australia more time for the implementation of its water quality commitments and to get the program back on track.

The Council notes that Western Australia's advice on how it has implemented the national water quality management strategy reflects a changed program from that agreed by the Council for 2001-02. On this matter, the Council expects the agreed 2002-03 program to be implemented and any proposed changes to be discussed with the Council. The Council has also noted that some alternative initiatives were implemented by Western Australia to demonstrate compliance as a substitute for the work agreed that was proposed but not completed.

The Council has agreed that Western Australia would fully meet its relevant 2002 NCP assessment commitments if it can complete and implement those plans identified by the Council in the 2001 assessment. Such action would give the Council confidence that Western Australia can deliver the outcomes of the national strategy and meet its water quality commitments. The plans required to be finalised are the:

- State water quality implementation plan to ensure integrated and coordinated action across government agencies and with stakeholders; and
- specific State based implementation plans to reflect the national strategy guidelines for freshwater and marine water quality (National guideline 4), drinking water (National guideline 6), and water quality monitoring and reporting (National guideline 7).

The Council will conduct consultative meetings in December 2002 and March 2003 between the Council's Secretariat and Western Australian officials to ensure sufficient progress is being achieved. It is proposed that a number of milestones will be met for these meetings.

For the December 2002 meeting, the Council would expect to see:

- a substantial draft of the State water quality implementation plan;
- the three other implementation plans finalised ready for release; and
- an assessment of progress to achieve the 1996 Australian drinking water guideline values in the metropolitan area consistent with the memorandum of understanding available in Western Australia.

For the March 2003 meeting, the Council would be looking for

- the State water quality implementation plan to be finalised; and

- demonstrable progress on all other modules scheduled for 2002-03 against the work program in attachment 2 and, where possible, draft implementation plans for national guidelines 8 and 11 to 15.

Should the Council consider insufficient progress has been made at the December 2002 and March 2003 meetings, the Council may submit a report to the Treasurer recommending a suspension of some of Western Australia's quarterly NCP payments. Otherwise, the Council will expect to be able to report progress in the electronic Council newsletter to ensure transparency with the 2002 NCP assessment recommendations on this issue.

In 2003, the Council will consider, as part of the assessment of compliance by all States with the National Water Quality Management Guidelines, whether Western Australia continues to make sufficient progress against its commitment to avoid an adverse payment recommendation. The Council understands that the Western Australian Government has considered and agreed to the Council's proposed approach and is currently in the process of providing formal agreement.

Progress report issues

Urban full cost recovery: asset values

Progress report: Improvement in asset valuation by Aqwest, Busselton Water Board, and the City of Kalgoorlie–Boulder

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

Reference: Water reform agreements, clause 3; Expert Group report on asset valuation

Background

For the 2001 NCP assessment, the Council was informed that Aqwest reports an independent valuation of land and mains assets, while valuing all other noncurrent assets at cost. Busselton Water Board reports noncurrent assets at either historic cost or 1996 cost, depending on the asset class. Western Australia advised that assets used by the City of Kalgoorlie–Boulder are reported at their written-down historic cost.

The Council expressed concern in 2001 that Aqwest, the Busselton Water Board and Kalgoorlie-Boulder did not use the deprival approach to asset valuation to a greater extent. At that time, the Council suggested that the deprival approach provides a sound basis for setting prices that reflect an asset's future store of benefits and, therefore, reflect the cost of the service received and encourage efficient water use. The CoAG guidelines require the

adoption of the deprivation approach unless specific circumstances justify another method.

In 2001, the Council had received no justification of why the circumstances faced by Aqwest, the Busselton Water Board and Kalgoorlie-Boulder warrant an alternative method.

Western Australian progress

For the 2002 NCP assessment, Western Australia reports that it is considering the introduction of improved asset valuation methods, but has not changed its current arrangements. Aqwest and the Busselton Water Board are considering asset values in conjunction with the evaluation of a two-part tariff structure.

Western Australia will commence consultation with Kalgoorlie-Boulder over the next six months, encouraging it to adopt the deprivation approach to valuing the city's wastewater assets.

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

For the 2001 NCP assessment, the Council was advised that Western Australia has no explicit provision for passing on to urban water users the costs of addressing any broader environmental effects of urban water use. The Water Corporation has some environmental obligations, however, and to the extent that these obligations increase costs, they are passed on to water users.

Western Australian progress

Western Australia reports that it is considering how to value externalities by using a distribution rule for their direct inclusion in pricing. Significant issues require careful consideration, however, before this rule can be finalised and implemented. A major challenge is to determine an appropriate level of charging to internalise the externality.

Western Australia states that it is committed to accounting for externalities in important decisions on water resources. Currently, externalities are considered in all cases as part of resource management decision making, so are indirectly factored into the cost of any action that has the potential to produce environmental externalities.

Full cost recovery: tax equivalent regimes

Progress report: Developments in implementing tax equivalent regimes for metropolitan service providers

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

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

Background and Western Australian progress

Western Australia reports that the Water Corporation, Aqwest and the Busselton Water Board are subject to income tax under the national tax equivalent regime in accord with the principles of competitive neutrality. It will continue to impose on these organisations all other taxes that would apply to a private sector organisation undertaking the same activity. All tax equivalents are paid to the Western Australian Government's consolidated revenue.

For 2000-01, the Water Corporation paid over \$160 million in income tax equivalents and payroll, land and other statutory taxes (including fringe benefits tax, and goods and services tax). In the same year Aqwest made income tax equivalent payments of \$1 million, while the Busselton Water Board had an income tax equivalents credit of \$11 700. The City of Kalgoorlie-Boulder is not subject to the national tax equivalent regime and thus pays no tax or tax equivalents.

In its 2001 NCP assessment, the Council outlined that taxes or tax equivalent regimes are required as part of full cost recovery for all water businesses. The Council also expressed concern that the costs recovered by Kalgoorlie-Boulder did not include tax equivalent payments. The information provided for this 2002 NCP assessment indicates that this situation has not changed.

Consumption based pricing: urban

Progress report:

- Continued progress in eliminating free water allowances and gross rental values from water and wastewater charges
- Implementation of pricing reforms for metropolitan commercial wastewater services
- Consideration by the City of Kalgoorlie–Boulder of charges for trade waste and other wastewater services

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

Reference: Water reform agreements, clause 3; Expert Group report

Background

For the 2001 NCP assessment, the Council had particular issues with the following matters, and indicated that a progress report for 2002 would be necessary.

- *Aqwest and the Busselton Water Board:* Current commercial and industrial customers paid a fixed charge based on gross rental value and a volumetric charge for consumption in excess of a free water allowance. The significant free water allowances were diluting the price signal attached to the water and reducing the incentives to use water economically. The Council considers that significant free water allowances undermine the CoAG principle of consumption-based pricing. In 2001, Western Australia reported that Aqwest and the Busselton Water Board were moving commercial and industrial customers to a two-part tariff and eliminating free water allowances over the following twelve months.
- *Water Corporation country services:* Wastewater charges for nonmetropolitan urban residential and commercial customers were based on gross rental value. A maximum charge of \$550 was placed on nonmetropolitan urban residential charges for the first time in 2001. At that time, the Council expressed concern about the apparent lack of progress in removing gross rental values from country commercial charges. It suggested that the Water Corporation consider extending the use of a maximum charge to nonmetropolitan urban commercial customers.
- *Metropolitan commercial wastewater:* Charges were based on water consumption, and volumetric charging applied only to customers who had wastewater discharge greater than 200 kilolitres. In 2001, the Council had not been provided with any evidence of the extent of correlation between water consumption and wastewater discharge. The Council also stated that it would monitor the implementation of the regime, including the 200 kilolitre threshold.

- ***Kalgoorlie-Boulder wastewater:*** Charges were based on gross rental values. The Council had not received advice on when or even if the city would phase out use of gross rental values. It expected Western Australia to explore the potential for cost-effective trade waste charges among smaller wastewater service providers, and the degree to which existing arrangements resulted in nontransparent cross-subsidies between dischargers.

Western Australian progress

Progress in eliminating free water allowances and gross rental values from water and wastewater charges

Western Australia has reported that the Water Corporation, the Busselton Water Board and Aqwest have made significant progress in eliminating free water allowances and gross rental values from water and wastewater charges.

Western Australia's progress on metropolitan water and sewerage service reforms is summarised in table 5.1.

Table 5.1: Water Corporation's progress on tariff reforms

	<i>Residential</i>	<i>Commercial</i>
Water, metropolitan	Complete	Complete
Water, country	Complete	Complete
Sewerage, metropolitan	Increase in minimum charge has been delayed	Revised phase-in, due to be complete in 2008-09
Sewerage, country	Increase in minimum charge has been delayed	Under review

Source: Department of Treasury and Finance, Western Australia (2002)

The move towards a standard residential charge for sewerage in the metropolitan area is now anticipated to be completed in 2008-09 (previously 2006-07) if increases to the minimum charge are maintained. Options for dealing with financial hardship cases that may arise are also being considered. Free water allowances have been removed from all residential and commercial charges. The only remaining allowances are for community groups and institutions, and a proposal to remove these allowances is awaiting Ministerial approval. Residential vacant land sewerage charges are still based on gross rental value, but increases in the minimum rate (capped to 10 per cent plus a standard general price increase) have been applied.

The Water Corporation has developed options similar to the metropolitan charging structure for country commercial sewerage customers. The options are based on a model incorporating a fixed charge (reflecting major fixtures)

and volumetric charges. Western Australia is considering a uniform charge in line with the metropolitan area, a uniform charge across country customers and differential charges based on individual town or regional costs. Analysis indicates that a significant redistribution of charges will be needed, which will affect primarily the tourism and health industries. The Government has established a joint working party to consider the implementation of these pricing reforms.

Western Australia expects a minimum phase-in period of five years for reforms to country commercial sewerage charges. In some regions, the phase-in period will be considerably longer.

Implementation of pricing reforms for metropolitan commercial wastewater services

Western Australia is continuing to implement metropolitan wastewater charges in line with the framework outlined in the 2001 NCP assessment, and this process is due for completion in 2008-09. Metropolitan commercial sewerage reform commenced in 1995, converting property-based charges to 'cost-reflective' charges based on the number of major fixtures (water closets, urinals, pan washers) and the volume of sewage discharged to the wastewater system. Alternatives to a major fixtures and volume charge were considered at the time. The reform seeks to reduce the cross-subsidy between business and residential customers, and to introduce a cost-reflective two-part tariff.

When the tariff reform is complete, the service charge (based on major fixtures) will recover approximately 70 per cent of commercial revenue, while the volume charge (for which water volume consumed is adjusted by a discharge factor) will recover 30 per cent. This ratio reflects the fixed and variable costs in operating the wastewater system. A phase-in period of six years was originally agreed.

Consideration by the City of Kalgoorlie–Boulder of charges for trade wastes and other wastewater services

In Kalgoorlie-Boulder, trade waste charges are still based on gross rental values. The Western Australian Government will include this issue in its consultation with Kalgoorlie-Boulder in the last six months of 2002.

Cross-subsidies

Progress report: Phasing out of gross rental values, as well as a broader and more systematic consideration of cross-subsidies

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

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

Background and Western Australian progress

For the 2001 NCP assessment, the Council considered that Western Australia's approach to removing cross-subsidies was less rigorous than that of some other jurisdictions. At that time, the Council had not been advised of any guidelines established or case studies done to indicate whether cross-subsidies exist between different customer groups or different geographic areas in the State.

Phasing out gross rental values from water and sewerage service charges will help reduce the potential for nontransparent cross-subsidies (see the section on urban consumption-based pricing). Western Australia has not provided, however, any further information on a broader and more systematic consideration of cross-subsidies.

Institutional reform: structural separation

Progress report: Implementation of independent price regulation and changes in Ministerial responsibilities.

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

Reference: Water reform agreement, clause 6

Background

In the 2001 NCP assessment, the Council looked at institutional arrangements in Western Australia in some detail. That analysis concluded that a range of mechanisms, either in place or proposed, could deal with potential conflicts of interest in the Minister for Water Resources' responsibilities for regulation and service provision. Some of these initiatives were still being implemented in 2001. In particular, Western Australia had committed to the introduction of independent price regulation. The Council, however, had few details on these new regulatory arrangements at the time of the 2001 NCP assessment.

Western Australian progress

In its 2002 NCP annual report, Western Australia restated its commitment to establishing an independent Economic Regulation Authority whose coverage would include water. Western Australia also provided more detail on the functions of this authority. It stated that the authority would comprise at least one (and up to three) commissioners reporting to the Western Australian Treasurer, while water services would remain the responsibility of a separate Minister.

The Economic Regulation Authority will perform a range of economic regulatory functions currently performed by Ministers, sector-specific regulators and public sector officials. The proposed functions of the authority include:

- independently granting industrial licences and ensuring compliance with terms and conditions applying to licences; and
- making expert recommendations to Government about tariffs and charges for Government monopoly services, and about any other matters requested by the Government.

In addition, since the 2001 NCP assessment, Western Australia has changed the structure and responsibilities of a number of government departments. Several of these changes improve the level of separation between service provision and regulation in the water industry.

The government has strengthened the independence of the Environmental Planning Authority by giving it more autonomy and greater flexibility in deploying its own resources. The Water and Rivers Commission is the responsibility of the Minister for Environment and Heritage. The Water Corporation is the responsibility of the Minister for Racing and Gaming Government Enterprises and Goldfields-Esperance.

The Office of Water Regulation is reviewing water service standards and looking at the desirability of establishing a water ombudsman.

Devolution

Progress report: Devolution of local management in the remaining irrigation schemes.

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

Reference: Water reform agreement, clause 3

Background

Western Australia is in the process of devolving local management for its irrigation schemes. The Council's 2001 NCP assessment noted that Western Australia is still working through the devolution process for the Ord Irrigation Scheme and the Carnarvon Irrigation Scheme.

In the Ord region, the Ord Irrigation Co-operative and the Water Corporation signed an asset management agreement, and the transfer of assets was planned to be completed by 30 June 2001. In the Carnarvon region, a memorandum of understanding outlining the devolution procedure was endorsed by the irrigators and signed in June 2000. Western Australia then expected to set up an interim operation and maintenance contract with

growers, allowing for their greater participation in the scheme's operation, before full ownership is transferred to the local irrigators.

Western Australian progress

In the Ord region, Stage 1 of devolution is being finalised with the Water Corporation agreeing to transfer to the Ord Irrigation Co-operative the Ord Irrigation Scheme (stage 1) distribution system. The Water Corporation will continue to supply the Co-operative with bulk water under a water supply agreement. The Co-operative will own, operate and maintain the Ord Irrigation Scheme (stage 1) distribution system and will have responsibility for retail water service delivery to growers in the scheme. The Water Corporation will continue to own, operate and maintain the headworks, the M1 channel and the Hillside Levies.

The Carnarvon Irrigation Co-operative and the Water Corporation signed an operations management contract on August 2001, effective until October 2002. The Government plans to transfer the Carnarvon Irrigation Scheme to the irrigation Co-operative on 30 June 2002. The Co-operative will have responsibility for:

- *retail water service delivery to irrigators within its designated district;*
- *operations, maintenance and renewal of the pipe distribution system, service connections; and*
- *water resource management within its designated area including meter reading and measuring water quality.* (Department of Treasury and Finance, Western Australia, 2002, p.40)

Water trading

Progress report: The practical implementation of water trading

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

Reference: Water reform agreement, clause 5

Background

For the 2001 NCP assessment, Western Australia had passed amendments to the *Rights in Irrigation and Water Act 1914* to establish a framework for the transfer of water rights. Although the implementation of the Act's trading provisions was still in its early stages, the Council said that it would revisit the State's progress to ensure water's contribution to 'national income and

welfare' is maximised and any trade constraints are consistent with CoAG water reform commitments.

Western Australian progress

Western Australia reports that a fully operational system for water trading is in place. The new guidelines for water trading are formally established in the policy document *Transferable (Tradeable) Water Entitlements for Western Australia*. The Minister for Water Resources released this policy in 2001, following consideration of 31 submissions received as part of the public consultation period.

Western Australia has found that few management areas are fully allocated, so the demand for trading is low. The only significant area of water trading is the South West Irrigation Scheme where the licence take is 153.46 gegalitres, consisting of 68 gegalitres from the Harvey River and Logue Brook, 68 gegalitres from the Collie River and 17.46 gegalitres from the Drakes Brook and Samson Brook. Of this, temporary transfers were 8.881 gegalitres, 2.967 gegalitres were transferred with land sales, and the permanent transfers of water entitlements for 2001-02 were 0.275 gegalitres.

Attachment 1: Revised Groundwater Management Plans, Reports and Allocation Strategies

<i>Plan</i>	<i>Year</i>	<i>Last Report</i>	<i>Last action</i>	<i>Proposed action</i>
Goldfields Regional	1994	Under Review	Position paper completed (2001/02)	
South West Coastal Groundwater Management Review	1989	Deferred	Position assessed	To be incorporated in Kemerton Plan (2002/03)
Broome Subregional	1994	Deferred	Position assessed	Review 2004/05
Derby Local	1992	Review 2001/02	Position assessed	Review 2004/05
Exmouth Local	1999	Review 2002/03	Position assessed	Review 2006/07
Jurien Subregional	1995	Under review	Completed 2001/02	2 nd Review by 2009/10
Arrowsmith Subregional	1995	Under review	Completed 2001/02	2 nd Review by 2009/10
Gingin Subregional	1993	Under Review	Completed 2001/02	2 nd Review by 2009/10
Gnangara Groundwater Resources, Environmental. Review and Management Program	1986/92	Under Review	Section 46 review completed 2001/02	
Swan Subregional	1997	Under Review	Position assessed	Review 2004/05
Perth Northwest Corridor Groundwater Management Plan	1992	Deferred	Position assessed	Review 2002/03
Wanneroo Local	1993	Under Review	Under review	Review 2004/05
Rottnest Groundwater Management Review	1987	Deferred	Assessed as low priority	
Bolgart Groundwater Management Review	1990	Deferred	Assessed as low priority	
Cockburn Subregional	1993	Under Review	Completed 01/02	2 nd Review by 2009/10
Rockingham/Stake Hill Subregional	1988	Under Review	Completed 2000/01	2 nd Review by 2008/09

<i>Plan</i>	<i>Year</i>	<i>Last Report</i>	<i>Last action</i>	<i>Proposed action</i>
Jandakot Groundwater Review	1991	Deferred	Assessed as low priority	
Busselton-Capel Subregional	1995	Under Review	Position assessed	Review 2003/04
Bunbury Subregional	1994	Review 2002/03	Continuing review	To be incorporated in Kemerton Plan 2002/03
Collie Water Resource Management Strategy	1988	Under Review 2002/03	Continuing review	Review beginning 2002/03 for completion in 2004/05
Murray Subregional	1997	Under Review		Review 2002-03
Albany Local	1991	Under Review 2001/02	Strategy completed 2001/02	2 nd Review by 2009/10
Esperance Local Draft	1997	Under Review 2000/01	Completed 2001/02	2 nd Review by 2009/10
Bremer Bay Groundwater Protection	1995	Review 2001/02	Position assessed	Low priority
La Grange Subregional		Draft in Progress 2002/03	Position reviewed	To incorporate Kimberley Plan (2004/05)
Pilbara Regional		In progress 2001/02	Strategy undertaken	Strategy to be completed 2004/05
Kimberley Regional			See La Grange	
Carnarvon Local		In Progress 2001/02	In progress	To be completed 2002/03
Gascoyne Junction Interim Local		In Progress 2001/02	Position reviewed	Low priority
Marbellup Interim Local		In Progress 2001/02	Completed 2001/02	2 nd Review by 2009/10
Kemerton Local		In Progress 2001/02	Completed 2001/02	2 nd Review by 2009/10
Cape to Cape (Vasse) Subregion		In Progress 2001/02	Position reviewed	To be completed 2003/04
Bremer Bay local		In Progress 2001/02	Position reviewed	Low priority

<i>Plan</i>	<i>Year</i>	<i>Last Report</i>	<i>Last action</i>	<i>Proposed action</i>
SURFACE WATER ALLOCATION PLANS				
Harvey Basin Regional	1998	Completed 1999	Position reviewed	2 nd Review 2005/06
Perth-Bunbury Regional	1997		Position reviewed	Reviewed 2004/05
Ord River	1997	Draft Interim	Draft plan completed 2001/02	Final plan 2003/04
Murray		In Progress 2001/02	Position reviewed	Reviewed 2005/06

Source: Western Australian Government 2002 (unpublished)

Attachment 2: Progress against the State Water Quality Management Strategy

<i>State water quality management strategy</i>	<i>2001/02 scheduled work</i>	<i>2002/03 scheduled work</i>	<i>Comment</i>
Outline of policies – 1 A reference document – 2 Implementation guidelines - 3	Yes	Yes	Considered in preparing the State strategy (<i>May 2001</i>). NWQMS policies, guiding principles, strategies, references and the implementation guidelines are considered in ongoing actions to implement the State strategy.
Fresh and marine water quality – 4	Yes	Yes	Scheduled for completion in August 2002. Should issues arise from industry stakeholder consultation on May 2002 document, the likely latest completion date is December 2002.
Drinking water summary - 5 Drinking water guidelines - 6	Yes	Yes	To be completed after the release of a revised national drinking water framework. Other initiatives to support this module progressed include a state of planning policy for public drinking water areas and environment and natural resources, by-law reviews, a memorandum of understanding with the health department, and policy and water quality information documents. High priority has been given to agency coordination and use of planning laws to achieve water quality protection.
Monitoring and reporting - 7	Yes	Yes	Scheduled for completion in August 2002. Should issues arise from industry stakeholder consultation on May 2002 document, the likely latest completion date is December 2002.
Groundwater Protection - 8	Yes	No	Processes are well advanced in this area. A coordinating implementation plan is not considered necessary at this time. Specific processes are in place to cover the Gnangara and Jandakot areas. A policy level document for the protection of future drinking water source areas is under development by the Water and Rivers Commission and will be published in 2002–03.
Rural land uses - 9	Yes	No	An implementation plan may not be required. Rural land use issues addressed by this NWQMS guideline are covered in existing government approval processes. A review is planned in 2003–04 subject to progress of agreements on the National Action Plan for Salinity and Water Quality, the Natural Heritage Trust, and other resourcing issues.
Urban stormwater - 10	Yes	Yes	A review and update of the 1998 WA stormwater management guideline will occur in stages and finalised by the end of 2002–03.
Effluent management – 11	Yes	No	Effluent management issues are dealt with under Environmental Protection Act license conditions that already consider the NWQMS outcomes. Accordingly this plan is a low priority and the need for a plan

<i>State water quality management strategy</i>	<i>2001/02 scheduled work</i>	<i>2002/03 scheduled work</i>	<i>Comment</i>
			will be reconsidered in 2003–04.
Trade/industrial waste acceptance – 12	Yes	No	An implementation plan for this guideline was not started in 2001–02 due to other priorities associated with the current drought. Trade waste management processes already exist that consider the national strategy. Assessment of waste into the sewer is managed by the Water Corporation and is a low priority implementation plan.
Biosolids management - 13	No	No	A State guideline was prepared and released in February 2002 and considered the draft national guideline currently out for public comment.
Reclaimed water - 14	Yes	No	An implementation plan for this guideline was not started in 2001–02. A 'Water Summit' is planned for late 2002 on drought related issues and this may refocus attention on the use of reclaimed water to supplement water supply. Priorities may change if drought continues. Otherwise, it will be considered in 2003–04.
Sewerage overflows - 15	No	No	<i>Guidelines for the referral and assessment of sewage pumping stations</i> (completed November 2001) by the Department of Environmental Protection considered the draft national guideline.
Dairy sheds effluent - 16a	Yes	No	Not started in 2001–02 as a 1998 dairy farm effluent guideline exists. This guideline considered NWQMS outcomes. A review of the existing State guideline will be considered in 2003–04.
Dairy processing plant effluent - 16b	Yes	No	Dairy processing sheds are subject to licensing under the Environmental Protection Act. The licenses use NWQMS outcomes in setting conditions to protect water quality. A plan will be considered in 2003–04.
Intensive piggeries - 17	Yes	No	A 2000 guideline considered the national guideline in place.
Wool scouring and carbonising - 18	Yes	No	A plan is not proposed for this guideline as there is only one wool related industry subject to Environmental Protection Act licensing.
Tanning and related industry – 19	Yes	No	No guideline is proposed. Western Australia has a limited number of these industries. Significant premises are managed by Environmental Protection Act licences that address NWQMS outcomes.
Wineries and distilleries - 20	No	No	No implementation plan is proposed. A protection note and licensing guideline addresses water quality issues. Premises are licensed under the Environmental Protection Act consistent with NWQMS outcomes.

Source: Western Australia 2002 (unpublished)