



PRIME MINISTER

NATIONAL COMPETITION POLICY PAYMENTS TO STATES AND TERRITORIES FOR 2005-06 – WATER REFORMS

The Commonwealth will make competition payments to the States and Territories (States) totalling approximately \$820.4 million.

The payments follow an independent assessment by the National Water Commission (NWC) of progress by the States (except Western Australia) in implementing their National Competition Policy (NCP) water reform commitments.

Other NCP reform commitments were assessed by the National Competition Council (NCC) in late 2005 and competition payments were announced by the Treasurer on 15 December 2005. That announcement indicated that payments were subject to the assessment by the NWC in relation to water reform obligations.

Considerable progress has been made by the States since the Council of Australian Governments (COAG) water reforms were linked to NCP in 1995 and this has resulted in good outcomes for water users, the environment and the community. The agreement to the National Water Initiative (NWI) in June 2004 continues the reform agenda for water into the next decade.

In 2005, four jurisdictions were assessed as meeting the majority of their obligations and are therefore receiving their full entitlement for 2005-06. These jurisdictions were Queensland, Tasmania, the Australian Capital Territory and the Northern Territory.

The estimated maximum level of competition payments available for the 2005-06 year is \$799.9 million. The actual payment of approximately \$820.4 million reflects adjustments for penalties and reimbursements. Competition payments to Western Australia are subject to the completion of the assessment of NCP water-related reforms in that state. Fifty percent reimbursement of the 2004-05 suspension, \$13.0 million of the total \$26.0 million suspension, was recommended for New South Wales in recognition of the progress made in the past 12 months. A further suspension in 2005-06 of \$13.0 million was recommended in view of there being scope for further improvement. Specific suspensions totalling \$26.2 million of 2005-06 payments were agreed by the Government where obligations in relation to interstate trading in the southern Murray-Darling Basin (MDB) are outstanding.

The expansion of permanent interstate trade in water within the southern MDB is a central objective of the NWI and has been an objective of the COAG water reform agenda since 1994.

Implementation of the trading commitments will bring about more profitable water use and more cost effective and flexible recovery of water to achieve environmental outcomes, thus underpinning other elements of the water reform agenda.

Specific suspensions were recommended by the NWC for New South Wales (\$13.3 million), Victoria (\$9.9 million) and South Australia (\$3.0 million).

The water assessment concludes the final such assessment under the current NCP arrangements. Since NCP payments were first made in 1997-98, and including the payments announced today, the States will have received approximately \$4.9 billion in competition payments. This is in addition to the \$150 billion that the States have received in GST payments between 2000-01 and 2004-05.

Competition payments for Western Australia are subject to a final decision in relation to the assessment of Western Australia's progress in relation to its water reform commitments, conducted by the NWC.

Payments and penalties for 2005-06 (subject to adjustment for changes in CPI and population estimates) and reimbursements for 2004-05 are:

	NSW	VIC	QLD	WA *	SA	TAS	ACT	NT
2004-05								
Reimbursements	\$52.0m	-	\$30.1m	\$15.4m	\$3.0m	-	-	-
2005-06								
Maximum Available Payments	\$266.2m	\$197.6m	\$156.5m	\$79.3m	\$60.5m	\$19.0m	\$12.8m	\$8.0m
Permanent Deductions	-	-	(\$7.8m)	(\$23.8m)	(\$9.1m)	-	-	-
Specific Suspensions	(\$26.3m)	(\$9.9m)	-	-	(\$3.0m)	-	-	-
Actual Payments	\$291.9m	\$187.7m	\$178.8m	\$70.9m	\$51.3m	\$19.0m	\$12.8m	\$8.0m

(Totals may not add due to rounding)

* Actual competition payments to Western Australia are subject to a final decision in relation to the assessment of that state.

These competition payments are separate from the \$36.7 billion in GST revenue the States will receive in 2005-06.

NCP does not require governments to repeal all restrictions on competition or to deregulate or privatise industries. It requires governments to undertake transparent and rigorous reviews of legislation that restrict competition and to reform those restrictions on competition, except where it would be contrary to the public interest to do so.

Details of the 2005 assessment will be available on the NWC's website (www.nwc.gov.au).

20 April 2006