



## State Government “backtracking” on water reform

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The State Government’s takeover legislation fails in its fundamental duty to protect the long term interests of consumers.

The Productivity Commission’s draft report on National Water Reform is a sober indictment of the legislation and contains conspicuous warnings against the kind of powers the Treasurer intends to assume.

Most telling is the report’s principle recommendation that uses the takeover legislation as an example of government backtracking that will ultimately undermine progress and reform.

The legislation is clearly a step in the wrong direction.

Should a takeover occur as proposed, Tasmania is *en route* to becoming a national example of short-sightedness, having rejected the principles of best practice agreed to by all Australian governments and in the process losing its way on water and sewerage reform.

Under this scenario, we will eventually ask ourselves why we did not listen to the warnings.

Tasmanians expect and deserve better.

## Key Quotes

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### **Backtracking on water reform:**

**The productivity Commission characterises the State Government legislation as “backtracking” on reform, a clear indicator that the legislation takes Tasmania in the wrong direction.**

#### *Recommendation 01*

***Governments should not backtrack on water reform. All Australian Governments should fully embed National Water Initiative principles in water management decision making and maintain progress on reform.***

*Most jurisdictions have made good progress in meeting the objectives and outcomes of the NWI, with some of this progress having been made in the past three years. However, there have been some instances of jurisdictions acting in ways that could be characterised as backtracking on reform. For example, the Tasmanian Government plans to cease price regulation of Tasmania’s main urban water utility and specify reduced rates of price increases in coming years. (P427)*

**The State Government proposal will be neither cheaper nor fairer in the long term. The legislation is specifically designed to unwind two of the most significant reforms achieved under the National Water Initiative.**

- *There have been many reforms undertaken within the water services sector. Two of the most significant have been the move to cost reflective pricing and the separation of service delivery from the broader role of government. (P53)*
- *The potential for interference remains, as indicated by the Tasmanian Government's introduction of legislation in July 2017 to greatly restrict the role of the economic regulator in that State and limit the rate of price increases to address concerns about affordability. (P159)*
- *Political intervention in independent economic regulatory determinations, whether motivated by shareholder-return considerations or short term political dynamics, is deferring cost-reflective pricing and efficient price signalling. This behaviour is a clear barrier to the achievement of efficiency and innovation outcomes sought through corporatisation. (P168)*
- *Economic Regulation also supports the separation of service delivery and government policy-making by ensuring that pricing processes are transparent and undertaken in accordance with the long term interests of consumers (encompassing both cost and quality considerations), rather than being driven by, for example, a short term desire to extract dividends or simply keep prices low for consumers. (P171)*
- *Corporatisation has delivered more efficient water services and a stronger commercial focus within service providers that has benefited water users. (P54)*
- *Local ownership and management of distribution services (and, to a lesser degree, the establishment of government-owned corporations) has improved productivity, accountability, long-term planning and responsiveness...(P54)*
- *There is a need to... separate the roles of owner, policy maker, regulator and price setter, and those which sit with the utility service provider.( P168)*
- *There is also evidence that governments have intervened in specific investment decisions, when these should ordinarily be determined through clear planning processes following arms-length vetting by the economic regulator. (P169)*
- *Independent economic regulation encourages efficient service delivery by applying rigorous scrutiny to utilities' operational and investment decisions, and so requiring regular, consistent and high quality business planning processes. It increases the transparency of decision making and reduces the risk of political interference in price-setting processes.(P170)*
- *Regulation provides a further check on political interference by reinforcing the principle that government obligations and directions should be made formally and transparently. (P172)*

The State Government legislation clearly runs counter to the principles of best practice outlined by the Productivity Commissions draft report, and agreed by all Australian governments. These are principles designed to protect the interests of consumers into the future.