

Talking Water Reform — Sharing Information and Views on Rural Water Pricing

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Abstract

In 1994 the Council of Australian Governments (COAG) identified six areas where the Australian water industry needed improving. One area related to rural water pricing. The price for rural irrigation water was to be reviewed by mid 2005.

The Queensland Premiers Taskforce on Rural Water Pricing agreed in 2002 that the review process should include early opportunities for stakeholders to make their views known. It recommended three phases:

- Phase 1: Talking water reform
- Phase 2: Policy development
- Phase 3: Determination of pricing arrangements.

The concept was designed to provide an opportunity, in a participative and educative way, to engage stakeholders. It was also intended to build community capacity and increase the level of awareness and knowledge.

The process objective was to foster relationships and partnerships with community to build an understanding of the context and implications of water reform and identify issues for subsequent consideration for future rural water pricing policy development. Among other processes, staff from Natural Resources and Mines and Queensland Treasury met with approximately 1000 irrigators over a twelve-month period.

Among the results from 98 per cent of participant's surveyed, 89 per cent were satisfied there was a constructive exchange of views. The outcomes from Phase 1 were demonstrated in the second phase through a greater acceptance and understanding of the basis of water reform and a subsequent 'mind shift' to problem solving rather than intractable opposition. This paper is a case study of the first two phases — leading to the third phase.

Overview

Rural water pricing is a significant issue for government and a crucial issue for the irrigation sector. In early 2002 it was agreed that the review process for determining the next round of rural

water pricing should include early opportunities for stakeholders to make their views known. This is a story of the first of three phases — in developing policy by 2005 — for rural irrigation water.

Keywords

Water reform, rural irrigation water pricing, capacity building

Discussion

It was in 2002 that the Queensland Department of Natural Resources and Mines began to talk with irrigators about rural irrigation water prices to establish new prices beyond the current price path, because the price for rural irrigation water was to be reviewed by 2005.

Rural water pricing is a significant issue for government and a crucial issue for the irrigation sector, and no decision had been made on who would set future prices, how prices would be set, or what prices ought to be. Understanding the history of pricing and knowing that affected people would continue to resist — it was determined to include irrigators early on in decision-making — and to be fair in process, especially given perceptions of past inequities.

As mediator Christopher Moore explains: “values disputes focus on such issues as (among other things) what facts should be considered valid, who merits what, or what principles should guide decision-making.”

We decided to build a process that moved beyond interests — that is, what irrigators wanted — to what they cared about. If we know that values are about what we hold dear — in this case the belief by many, that water is ‘free’; that farmers ‘support’ city people and hence should get their water subsidised — then the process had to begin by building capacity.

A brief history

Let’s go back in the story. In 1994 the Council of Australian Governments (COAG) identified six major areas where the Australian water industry needed reforming. COAG comprised the prime minister, the state premiers, the territory chief ministers, and the president of the Australian Local Government Association (as observer).

The COAG Water Resources Policy’s key concerns related to:

- natural resource management
- pricing (including treatment of cross-subsidies)
- future investment
- water trading

- institutional reform
- public consultation.

The purpose of the reforms was to provide a basis for the water industry to move into the 21st century on an environmentally and economically sustainable basis.

In 1995 COAG finalised formal agreements for implementing a range of reforms and these agreements linked National Competition Policy payments to the implementation of the 1994 Water Resources Policy.

The agreement required rural water prices to cover, as a minimum, the lower bound costs of irrigation schemes. Those costs include operations and maintenance, refurbishment, taxes and overheads, interest on debt and externalities. However, the agreement also stated that, wherever practical, the prices should reflect the full cost of water service and delivery. Full costs include, in addition to these minimum costs, a return on assets.

For rural water supply, COAG agreed that where charges do not currently cover the minimum costs of supplying water, both charges and costs must be progressively reviewed so that by no later than 2001 they do so — with any subsidies made transparent. Queensland successfully negotiated additional time up to 2004–05 for the price rises to occur.

So it was in early 2002 the Premier's Taskforce on Rural Water Pricing agreed that the review process should include early opportunities for stakeholders to make their views known. It recommended three broad phases to finalise future water pricing arrangements:

- Phase 1: Talking water reform — sharing information and views on rural water pricing. This had a six-month timeframe.
- Phase 2: Policy development
- Phase 3: Final determinations of scheme specific pricing arrangements.

Phase 1

The Phase 1 concept was designed to provide an opportunity, in a participative and educative way, to engage stakeholders in an open dialogue on issues related to rural water pricing and the COAG water reform agenda. It was also intended to build community capacity and increase the level of awareness and knowledge of stakeholders.

The objective of the process was to foster relationships and partnerships with community to build an understanding of the context and implications of water reform and identify issues for subsequent consideration for future rural water pricing policy development.

The issues to be considered in developing and delivering the capacity building package included:

- industry, regional and local differences
- frustration over the consultation process when prices were originally set
- a perceived low level of understanding by individual irrigators of why there needed to be reforms to the water industry
- a number of concepts and principles that needed to be identified and explained, for example 'lower bound' — so that there would be a shared and common understanding of terms for an informed debate.
- the process of engagement dependent on how groups of irrigators suggested would be the best approach
- the presentations needed to be delivered by people who could respond to questions of clarification
- the focus was on raising awareness and understanding of the context of rural water pricing that would need to be discussed during the policy development phase.

Initially, nine information papers were written in collaboration with industry and compiled into a booklet, *Talking Water Reform — sharing views and information on rural water pricing*, which covered the history of water reform in Queensland, current issues and what issues needed to be considered for the future. This series of information papers, with 'talking points' throughout, was presented in a clear and easy to comprehend style — reflecting either an historical perspective or current regulatory practice.

This process was not about 'reading about' water reform — it was very clearly about 'talking about' water reform. Given the audience, that would have been counterproductive. Certainly, some took the time and opportunity provided to read — but most needed to hear, talk and ask questions — in an environment conducive to understanding, that is, an environment comfortable enough to express frustrations and even anger.

Staff from the Queensland Department of Natural Resources and Mines (NR&M) and Queensland Treasury met with regional irrigator representatives and discussed the series of information papers. We worked through these papers sequentially and logically — one by one — using the booklet as the starting point and basing the slides on the content in the booklet. It was interactive, discursive, and there were lots of questions for clarification.

The objectives of the meetings with irrigators were to:

- develop a shared understanding of current and future rural water pricing under COAG
- increase the level of informed debate
- respond to information needs
- determine how people wanted to be engaged in the policy development phase
- identify emerging policy issues and implications for future policy development associated with pricing and local management.

The preferred outcomes were:

- a qualitative appreciation and understanding of how and why future rural water pricing is determined
- to lay a foundation for informed debate during future policy development that would translate into improved policy
- to identify issues surrounding local management
- to determine how the community wanted to be engaged in the policy development phase
- that stakeholders were satisfied that they have been properly informed during the process
- to add to the community resource base, the ability to generate relevant and informed knowledge about water pricing for the public good and to improve the interpersonal relationships between all participants (social capital).

The key principles, developed in consultation with industry and government, were that:

- programs needed to be individually designed, in terms of time, structure, content and mechanisms, to allow for unique regional requirements
- access to the process must be provided to all interested parties, as well as those potentially affected by policy decisions, to facilitate social justice
- sufficient time be given for participants to thoroughly consider background information, and to understand and seek further information to subsequently formulate an appropriately detailed response.

Results of evaluations indicated that the objectives, process objectives and preferred outcomes were successfully met. The first principle was achieved through changing team members depending on issues requirements; briefings by regional departmental staff on regional issues and differing the time of meetings depending on what was happening (e.g. harvesting) in the region. The structure remained the same as it proved successful.

The second principle was achieved through a letter from the Minister to 5000 irrigators. The letter informed them of the process — a social justice requirement. A website was created with the Pricing Direction Notice, regional issues and the *Talking Water Reform* booklet.

The third principle was not achieved satisfactorily in the early meetings. However, as time progressed it was remedied during subsequent meetings.

The key policy issues that arose across all regions were:

- principles and options for the determination of rates of return
- how tariff structures are determined
- asset valuation and determination of the regulatory asset base
- how externalities both 'positive' and 'negative' are determined
- how efficient costs are determined in setting future prices
- sharing of efficiency savings and the treatment of Community Service Obligation payments
- how capacity to pay is considered in determining prices
- how 'new' water will be priced
- local management
- how and who will set prices
- treatment of regulatory requirements placed on the water service provider.

The above water pricing issues provided government with a basis on which to consider subsequent policy development.

The key process issues across all regions were: concerns may not be listened to; transparency of the engagement process; the need for consistency of departmental staff; and concern that government may not be committed to genuine consultation during the subsequent policy development phase.

Methodology

The methodology was multi-purpose, with a loose program designed to meet the needs of a diverse stakeholder group.

Firstly, introductions of presenters were made — and as often as possible an 'opinion leader' or irrigator representative would lead and facilitate the meeting — to provide regional ownership and local ownership 'hosting' of the event. This provided the level of 'permission' required. The host would know each individual, their idiosyncrasy and personal circumstances. Thus, the debate could focus on the substantive issues and not get caught up in the personal and emotive.

Also, collaborating with Queensland Treasury proved to be most successful, as ‘the treasury man’ added a level of validity in the eyes of irrigators.

The objectives were then clearly stated, the background to the Premier’s Taskforce on Rural Water Pricing explained, and participants ‘issues and concerns’ regarding water pricing put on a white board and recorded on paper. We always completed the ‘concerns and issues’ process, as this gave irrigators an opportunity to ‘vent’ and get their issues recorded. The commitment was given to address each and all of the concerns before the end of the presentation — and as each issue was discussed (no matter how far into the presentations) a ‘tick’ would be put next to the item, representing either that the issue was covered to that persons satisfaction or that the issue was ‘outstanding’ and would need to be further addressed. This succeeded in helping to focus people’s attention on the discussion, rather than them waiting for an opportune time to get their issue ‘on the table’ — and thus paying less attention to discussion.

The process for the presentations was outlined. The evaluation form — to be completed at the end of the presentations — was mentioned as a way for us to receive feedback on our process. Then each of the nine papers was presented using a summarised overhead. Questions and discussion were encouraged.

The areas where the methodology was successful were:

- The activities were adequate enough to result in a substantial understanding of water reform and water pricing issues within the time allocated.
- There was a clear outline of how the process was going to be conducted.
- NR&M produced a publicly accessible document, which assembled all the information into one publication.
- It acknowledged the ‘outrage factor’ and demonstrated a commitment to working this through to the satisfaction of the parties.
- It was person friendly, used plain English and adult learning techniques.
- It maximised participation through the use of the water service provider customer representatives.
- It was participative and collaborative, inclusive and non-adversarial.
- It provided detailed evaluations; the process was clear and transparent.
- It measured against performance indicators.
- It incorporated a web page to support stakeholder information needs and included regional issues.
- Policy timeframes were made clear.

The areas where the methodology was less successful were:

- the integration with other natural resource management and water management planning processes
- no consistent point of contact regionally
- inability to build capacity of NR&M in regions to interact to the centralised components of the process to maintain consistency
- inability to be clear on the scope of influence stakeholders would have in the policy development phase.

Performance indicators

Information from the performance indicators is indicative rather than conclusive, selective rather than comprehensive.

- Goal: For 80 per cent of irrigators to participate in the Talking Water Reform project within each community as determined by locality
Outcome: Exceeded by full and/or increased attendance of irrigator representative members and significant members of the broader irrigator community
- Goal: To increase the reported satisfaction of stakeholders with the pre-engagement process
Outcome: Evaluations showed increased satisfaction with the process
- Goal: To increase the level of informed debate on future rural water pricing
Outcome: Eighty-two per cent of participants feel confident that have now a better understanding and could participate in future policy debates
- Goal: To prepare information/communication materials, which meet learning/communication needs of a broad range of stakeholders
Outcome: Even though there was criticism of bias in the material there was a clear understanding of the material and an appreciation of its comprehensive approach. Interest was also shown in the resources and reference documents available at every meeting
- Goal: To add value to the quality of the pre-engagement process
Outcome: Eighty-seven per cent of participants were satisfied that the team encourage them to be active participants and 89 per cent felt there were constructive exchanges of views, which genuinely tried to address major issues.

Summary of evaluations

Evaluation sheets were given to all irrigator representative members after the meeting. It was agreed early on that this made irrigators feel uncomfortable, in that they had to 'write and concentrate', often late at night. Consequently, the evaluations were conducted informally, on a one-to-one basis, and through 'host person' feedback.

Attendance was close to 100 per cent of irrigator representative groups. We received a 98 per cent response rate. The evaluation sheet distribution was prefaced with the comment that we need to receive feedback on our performance and filling in the form was voluntary.

In summary, the survey found that 61 per cent of participants agreed they had a greater understanding of rural water pricing; 89 per cent were satisfied there was a constructive exchange of views and 82 per cent felt as a result of the process they could participate in future policy debates on rural water pricing.

Conclusion

The three-phase process has become a benchmark for NR&M for much of its policy development work. It has proved an inclusive and participative model and one that provides a smooth transition from old policy to new policy.

Bibliography

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