

Delivering the Basin Plan

- 6.1 Part of the challenge for the Murray-Darling Basin Authority (MDBA) in delivering the Basin Plan is to articulate clearly to the community how it will be implemented. Much of the implementation relies on the development of future state and territory water resource plans.
- 6.2 As already discussed in this report, future uncertainty is a key concern for communities and having a significant impact on business confidence. The MDBA on its own cannot address all of these issues, there needs to be stronger cooperative arrangements between Commonwealth and state and territory governments in order to deliver certainty to Basin communities.
- 6.3 There are also differences in timeframes between the states in the expected delivery of water resource plans, and therefore the expected implementation of the Basin Plan. These differences need to be resolved if any future intergovernmental cooperation is to be successful.
- 6.4 Communities expressed concern about what was happening to the water once it was purchased or returned to the environment. Communities are concerned about what form environmental water planning will take. Many stakeholders expressed a view that a double standard is being applied when the accountability required of irrigators is contrasted with the lesser accountability required of environmental water managers.
- 6.5 This chapter focuses on each of these issues and how the Basin Plan may be more cooperatively implemented to achieve more accountable outcomes that include local input and expertise.

Alignment of timeframes for implementation

- 6.6 In practical terms, the Basin Plan will be implemented through actions taken under water resource plans. Each Basin state and the ACT is required to develop a plan for each water resource area.
- 6.7 Arguments were presented both for and against extending the timeframes for the implementation of the Basin Plan. The reasons for extending the timeframes include:
- providing communities with more time to adjust;
 - providing more time to engage industry and community;
 - achieving equity between the states;
 - giving existing state water resource plans time to work;
 - allowing more time for infrastructure projects to be implemented and savings quantified;
 - time to better understand the socio-economic impacts; and
 - time to better develop the environmental watering plan and understanding the effect of utilising the Commonwealth environmental water holdings.¹
- 6.8 The environmental benefits of the 2010-2011 flooding events across the Basin relieves some of the pressure on the Basin planning processes and provides a positive starting point for the development of the environmental watering plan.
- 6.9 It has been suggested that by allowing a greater amount of time to adjust to water resource plans, communities can be better prepared, through strategic investments and planning. This also links to concerns about SDLs coming so soon after a period of devastating drought. This may, however, prolong the current sense of uncertainty that exists within Basin communities.

1 Mr Adrian Drury, Vice-President, Australian Dairy Industry Council, *Transcript of Evidence*, Canberra, 2 March 2011. p. 16; NSW Government, *Submission 585*, p. 4; Namoi Councils, *Submission 517*, p. 1; Deniliquin Council, *Submission 571*, p. 4; Mr Terence John Korn, Australian Floodplain Association, *Transcript of Evidence*, Dubbo, 16 February 2011, p. 14; Cockburn Valley Water Users, *Submission 140*, p. 2; Mildura's Future Water Group, *Submission 394*, p. 4.

- 6.10 Professor Chris Miller stated that delay could further exacerbate adverse socio-economic impacts:

...extending in some areas the implementation process by up to five years is just as likely to have the opposite effect of what is desired by creating a situation in which communities go in slow and gradual decline as people begin to exit in anticipation of the impact of the full Plan.²

- 6.11 Other arguments for not delaying the implementation are based on the need for certainty.³ Without this certainty communities do not have a realistic base to plan and invest for the future.⁴ Mrs Marilyn Danieli from Shepparton described a sentiment that was echoed throughout the inquiry:

We do not know where we are going because we do not know if we have a future. You cannot expect people to expand their businesses. You cannot have us trading water. You have to make a decision. We must know where we sit. And I do not believe it is acceptable to leave us swinging in limbo.⁵

- 6.12 The Committee is of the opinion that, overwhelmingly, the community wants a final but good plan delivered as soon as possible. This is supported in survey by an independent consulting firm undertaken in June and October 2010. Of those surveyed, it was found that 75 percent believe change is necessary to ensure that enough water is made available to the environment, the majority believe change needs to occur quickly:

Alongside this general agreement that change is needed to water management, there is also a sense of urgency amongst the population for that change to occur.⁶

- 6.13 The Committee is of the opinion that indefinitely delaying implementation of the Basin Plan will drive a further decline in investor confidence as outlined in Chapter 3. However, there is a case to delay the implementation of some state water resource plans.

- 6.14 While states have had a form of water resource plans for many years, these take on new meaning under the Water Act. Under s53 of the Act, each water resource area is to have an accredited water resource plan to be

2 Professor Chris Miller, Flinders University, *Submission 266*, p. 2.

3 Mr Peter Mogg, Murray Irrigators Support Group, *Transcript of Evidence*, Shepparton, 21 January 2011, p. 36.

4 South Australian Council of Social Service, *Submission 312*, p. 7.

5 Mrs Marilyn Danieli, *Transcript of Evidence*, Shepparton, 21 January 2011, p. 30.

6 Inovact Consulting, *Submission 400*, p. 7.

developed by the relevant state and accredited by the Commonwealth Water Minister. These plans are, in effect, the implementation of the Basin Plan and define how SDLs will be met.

- 6.15 Where operational water planning is in place, current plans are due to be replaced by water resource plans in compliance with the Act on their expiration. The Act also requires that state water resource plans be consistent with the version of the Basin Plan that existed two years prior to the state plans being made.⁷
- 6.16 The bulk of existing water plans in the Basin are due to expire in 2014 with the main exception being Victorian plans which are due to expire in 2019.
- 6.17 Many stakeholders suggested that the operability of current water resource plans should be aligned by extending the expiration of all plans to align with the Victorian plans in 2019. The Inland Rivers Network expressed concern about proposal to extend current arrangements, instead suggesting that Victorian plans should be brought forward to meet the 2014 date of the other Basin states:
- The argument for delaying NSW plans until 2019 takes the lowest common denominator approach and ignores the generous transition period already contained within Basin Plan processes.⁸
- 6.18 However, proposals to shorten the commencement date to 2014 raise the question of whether there this provides sufficient time for states to prepare water resource plans, given that the Basin Plan is unlikely to be finalised until 2012. The NSW Government noted that any 'delays in finalising the Basin Plan will have a material impact on the available timeframe for Basin States to prepare compliant Water Resource Plans'.⁹
- 6.19 The NSW Farmers Association submitted that the inequity in the implementation dates is the primary economic threat of the Basin Plan, arguing that this arrangement creates a significant competitive advantage with impacts occurring on the NSW side of the Murray River but not on the Victorian side for another five years.¹⁰
- 6.20 Under s49A of the Act, the MDBA is required to assess the impact of the Basin Plan after the first five years. If the Plan is made in 2012, this first review will be due in 2017.

7 *Water Act 2007*, section 56.

8 Inland Rivers Network, *Submission 409: Attachment 1*, p. 17.

9 NSW Government, *Submission 585*, p. 4.

10 NSW Farmers Association, *Submission 485*, p. 21.

- 6.21 With the Environmental Watering Plan coming into effect with the Basin Plan in 2012, by 2017 the CEWH, MDBA and state and territory water agencies would have five years experience with environmental watering. It is reasonable to expect that over this time they would gain a much better understanding, through monitoring and research of both successes and failures, of the amount of water that is needed.
- 6.22 The Committee is pleased to note the Murray Darling Basin Ministerial Council Communiqué of 27 May 2011 seeking that commencement dates be aligned to 2019.¹¹

Intergovernmental collaboration

- 6.23 As discussed in Chapter 4, it is clear that there was limited collaboration between the MDBA and state and territory agencies in the preparation of the Guide. The lack of engagement with the states by the MDBA in the preparation of the Guide was a consistent complaint from state and territory governments in their criticism of the Guide.¹²
- 6.24 The NSW Government recommends that:
- ...the Commonwealth Government initiates consultation with Basin States regarding the development of a multilateral implementation plan to support the agreed Commonwealth funded Murray-Darling Basin reforms via a cooperative Commonwealth/State approach (consistent with the IGA on Federal Financial Relations).¹³
- 6.25 The then NSW Minister for Water, the Hon. Phillip Costa MP referred to a desire for a coordinated approach in terms of timing, actions and expectation:
- This is a complex task ahead of us. We see that it is important that there is harmonisation between the states in terms of timing and expectations over a period. There is some differential, for example, between New South Wales and Victoria which has caused some

11 Murray-Darling Basin Ministerial Council, *Communiqué*, 27 May 2011.

12 The Hon. Paul Caica, Minister for the River Murray, South Australia, *Transcript of Evidence*, Canberra, 25 February 2011, pp. 25-26; The Hon. Kate Jones, Minister for Environment and Resource Management, Queensland Government, *Transcript of Evidence*, Brisbane, 17 March 2011, p. 5-6; The Hon. Phillip Costa, Minister for Water, New South Wales Government, *Transcript of Evidence*, Canberra, 9 February 2011, pp. 21-22; The Hon. Simon Corbell, Minister for the Environment, Climate Change, Energy and Water, Australian Capital Territory Government, *Transcript of Evidence*, Canberra, 23 February 2011, pp. 2-3; Private meeting with the Hon Peter Walsh, Minister for Water, Victorian Government, 30 March 2011.

13 NSW Government, *Submission 585*, p. 36.

angst in our community. We need to ensure that there is an engagement process and an implementation process that harmonises what we do in each of the states at the same time.¹⁴

6.26 It is apparent to the Committee that a constructive and cooperative approach to the development, transition and implementation of the Basin Plan is needed in order to achieve the outcomes most agree are necessary. All governments involved need to work cooperatively together if the Basin Plan is to succeed in finding a sustainable balance between human use of water and the health of the river systems.

6.27 This will be an ongoing process. As Mr David Harriss, Deputy Director-General and Commissioner of the NSW Office of Water, pointed out, the Basin Plan, like any resource planning will involve reiteration and regular review:

In the development of our water-sharing plan process, we said, 'The water-sharing plan is not the be all and end all for all time; at the end of 10 years we're going to have another iteration of water-sharing plans, and we want to then work out if we need to recover any more water for the environment should there be limits on that sort of recovery.'¹⁵

6.28 Achieving the successful involvement of communities and collaboration with state and territory agencies in the implementation of the Basin Plan and state water resource planning will help to build strong relationships and respect that will be beneficial in future water planning processes.

6.29 The responsibility for implementing the Basin Plan does not fall entirely to the MDBA and the Commonwealth Government. The states and the ACT have a significant role to play. However, because of the complex partnerships involved, there is a critical need for a clear implementation plan to be developed.

Recommendation 17

The Committee recommends that the Commonwealth Government fund the development of a plan, in partnership with the States and Australian Capital Territory, for the implementation of the Basin Plan.

14 The Hon. Phillip Costa, Minister for Water, New South Wales Government, *Transcript of Evidence*, Canberra, 9 February 2011, p. 36.

15 Mr David Harriss, Deputy Director-General and Commissioner, New South Wales Office of Water, *Transcript of Evidence*, Canberra, 9 February 2011, p. 18.

- 6.30 The Basin Plan is essentially implemented through state and territory water resource plans which should be developed in close consultation with Basin communities. As such, the Basin Plan will succeed or fail on the strength of its implementation and the ability of governments to work together and with Basin communities.
- 6.31 It is also clear that water resource plans need to be developed in a cooperative model that incorporates the views of regional stakeholders.

Recommendation 18

The Commonwealth Government, through the Council of Australian Governments, seek agreement with Basin states on a cooperative model for developing water resource plans in which the Murray-Darling Basin Authority, the Commonwealth Environmental Water Holder and state and territory water agencies sit together with regional stakeholders to develop each water resource plan.

Environmental water planning

- 6.32 Under s28 of the Act an Environmental Watering Plan must be developed. This plan is to articulate how environmental water will be sourced and used to benefit the biodiversity of the Basin.
- 6.33 The development and implementation of the Environmental Watering Plan was yet another cause for concern raised throughout the inquiry. These concerns arise from a lack of detail provided in the Guide on the environmental watering plan and how and where the water would be used. As Murray Irrigation stated:
- ...the Basin Plan needs to be built on trust and that, along with an Environmental Watering Plan, is the main ingredient lacking in the process to date.¹⁶
- 6.34 The Victorian Farmers Federation articulated some of the frustration about a lack of clarity on the environmental watering plan:
- The Guide has not provided a detailed watering plan nor provided sufficient clarity around the environmental outcomes to be achieved. The premise that returning 60 to 80 percent of pre-

¹⁶ Murray Irrigation, *Supplementary Submission 440.1*, p. 2.

development flows to the system is needed to achieve the required environmental outcomes does not allow a considered and rational discussion on treating key environmental assets and key environmental functions to occur with the managers of the systems; the States.

The first step in addressing this is to reset the plan and start an iterative process where environmental watering needs and efficiency gains are examined and tested to develop an environmental watering plan that meets the environmental needs as effectively as possible and balanced with the socio-economic impacts of less water for rural communities.¹⁷

- 6.35 Ms Sally Dye from Deniliquin expressed similar frustration with the lack of detail on the use of water once it has been transferred out of productive use:

Key Environmental assets need to be determined and justified prior to any suggested purchase of consumptive water for an environment that may not need it. It is idiocy to announce proposed SDL's without having any clear and transparent validation of watering requirements of the identified assets by an Environmental Water Management Plan. This should have been done to allow cross examination of the environmental watering requirements and provide a robust environmental watering account encompassing engineering solutions for the environmental sites with state of the art works and measures to ensure every gigalitre is in fact required.¹⁸

- 6.36 Ms Kirsty Bartrop from Griffith expressed her hope that in justifying the amount of water needed for the environment, the Guide would have provided detail on how environmental water would be used:

I read the plan in eagerness to understand how the MDBA proposes that the 3 000 – 7 600 GL of water would be utilised for the environment. I am keen to understand what flow rate is required to water the environment, what volumes are to be delivered to where and when would this be conducted. I am interested in how the water will be delivered to the sites that are deemed as in need of this additional water. I was terribly let down when I read that none of this detail is included as the MDBA write

17 Victorian Farmers Federation, *Submission 395*, p. 25.

18 Ms Sally Dye, *Submission 319*, p. 1.

on page 163 that the states within the Murray-Darling Basin will determine the priorities of the watering plan.¹⁹

- 6.37 The lack of a detailed and prescriptive environmental watering plan in the Guide was not an oversight. As Mr Rob Freeman, former Chief Executive of the MDBA, explained, such a plan would not be practical given the need for flexibility and respect for the role of state and territory governments in the management of environmental sites:

People are looking for a lot of detail in the environmental water plan, yet it must be principles based. We cannot put out a prescriptive environmental water plan. It must provide flexibility to allow, for instance, the Commonwealth Environmental Water Holder to trade water out of a catchment that is well watered because it has rained in that catchment, and acquire water in a dry catchment. So it has to be principles based, but there was almost universal feedback that people are looking for something with more detail than the principles we outlined.²⁰

- 6.38 Mr Freeman conceded that the MDBA could have set out some indicative case studies showing how an Environmental Watering Plan might operate using an actual scenario over five year period or so to help people understand what was being proposed:

That has driven the authority to consider: is there a communication document that sits below a principles based environmental watering plan that would describe how it might have been done, looking back? So, say, 'For this five-year or 10-year period, this would have been an appropriate environmental water plan.' It is an application of the principles. We are working through that issue, but it is a big challenge. People are looking for detail.²¹

- 6.39 From the evidence put to the Committee, it is apparent that the failure of the MDBA to provide more detail on how environmental water would be used, left communities wondering how the environmental water requirements were determined and how the water is going to be used. As Murrumbidgee Irrigation suggested that:

The Guide does not sufficiently specify targets for individual environmental assets to enable stakeholders to understand the

19 Ms Kirsty Bartrop, *Submission 238*, p.2

20 Mr Rob Freeman, Chief Executive, Murray Darling Basin Authority, *Transcript of Evidence*, Canberra, 25 March 2011, p. 80.

21 Mr Freeman, *Transcript of Evidence*, 25 March 2011, Canberra, p. 80.

vision or to make an environmental manager accountable for performance. There is no pathway for targets to meet objectives.²²

- 6.40 The question of how the MDBA determined the environmental water requirements and therefore the proposed SDLs demonstrates a lack of clarity around the methodology used and the nature of the environmental watering plan. The Committee also heard dissatisfaction with the apparent lack of sophistication with the methodology. These concerns, along with questions about the science used, undermined confidence in the Guide and the proposed SDLs.²³ Significantly, this was a particular concern for the states and the ACT.
- 6.41 A prescriptive environmental watering plan would be an enormous document that would be inflexible and difficult to implement. However, in order to gain support needed for a future Basin Plan, further detail must be provided on what, where, when and why water is needed for the environment and how it would be delivered.
- 6.42 While the Committee understands the complex nature of the processes and responsibilities around environmental water planning and use, Basin communities deserve more information if they are to be part of the implementation of the Basin Plan.
- 6.43 The community does not need a prescriptive environmental watering plan in the first instance, but it does need assurance that environmental water is to be managed in an efficient and accountable way. This may be through a set of examples provided to each catchment about how an environmental watering plan may be implemented.

Recommendation 19

The Committee recommends that the Commonwealth Government clearly communicate to Basin communities the purpose of the Environmental Watering Plan and how it would be implemented at a regional level.

22 Murrumbidgee Irrigation Ltd, *Submission 419*, p. 5.

23 Risorsa Group, *Submission 429*, p. 2; National Irrigators' Council, *Submission 189*, pp. 24-25; United Dairy Farmers of Victoria District Council 3, *Supplementary Submission 530*, p. 15; Mr Stewart Ellis, Chairman, Murray Irrigation Ltd, *Transcript of Evidence*, Deniliquin, 24 January 2011, p. 17.

Commonwealth Environmental Water Holder

- 6.44 The Committee heard concerns about the Commonwealth Environmental Water Holder (CEWH) and the use of environmental water more generally. These concerns focussed on two points:
- a perceived lack of transparency and accountability; and
 - a lack of experience and technical capacity to deliver on the environmental objectives.
- 6.45 The CEWH was established in 2008 under the Water Act with responsibility to actively manage water as efficiently as possible in accordance with the environmental watering plan when it is finalised.²⁴
- 6.46 In a 2010 report on the Government's use of the market to recover water for the environment, the Productivity Commission found that current arrangements are desirable in providing a closer focus on a transition to a Basin Plan, including efficiency advantages in having the CEWH in the same organisation as the buyback and infrastructure efficiency programs.²⁵
- 6.47 However, the Productivity Commission also found problems with the current arrangements due to the lack of transparency and capability and this is consistent with concerns held in Basin communities.

Accountability and transparency of the Commonwealth Environmental Water Holder

- 6.48 The Committee heard widespread concerns that the operation of the CEWH, and the management of environmental water, is not as accountable as the management of irrigation water. As Harold Clapham of Mainland Finance explained:

Why do we have a system where, if you are a commercial producer of water, you have to pay for it, you have to be accountable for it, you have to meet a standard, but then on the other side we send hundreds and hundreds of thousands of megalitres back to the environment with no form of commercial accountability, with no money available to improve the

24 Robinson, Mr Ian, Commonwealth Environmental Water Holder, SEWPAC, *Transcript of Evidence*, Canberra, 9 February 2011, p. 15.

25 Productivity Commission 2010, *Market Mechanisms for Recovering Water in the Murray-Darling Basin*, pp. 211-12.

infrastructure and with no accountability to those communities that are most affected by those environmental flows? If you were sensible about it, you would make the users of environmental water as accountable as the users of commercial water.²⁶

6.49 On agreeing to the National Water Initiative, states and territories committed to the establishment of effective and efficient management and institutional arrangements to ensure the achievement of the environmental and other public benefit outcomes. This included ensuring that environmental water managers are accountable for the management of environmental water and the achievement of environmental outcomes tested by:

...periodic independent audit, review and public reporting of the achievement of environmental and other public benefit outcomes and the adequacy of the water provision and management arrangements in achieving those outcomes.²⁷

6.50 In a COAG agreement on water reform in the Murray-Darling Basin, Commonwealth, state and territory governments, agreed on a set of requirements for the use and management of environmental water including:

- transparent and independent decision making in the management of environmental water holdings;
- transparent accounting of environmental water use; and
- environmental water managers to be clearly accountable for operational decisions and outcomes.²⁸

6.51 Given that the Commonwealth is now the largest holder of environmental water, it is reasonable to apply these same standards of accountability and transparency on the CEWH.

6.52 Under current governance arrangements the CEWH sits as an independent statutory position within the Commonwealth Department of Sustainability, Environment, Population and Communities (SEWPAC) and is accountable to the public through parliamentary estimates processes, annual reporting and potential audit by the Australian National Audit Office. However, under current arrangements, the CEWH is also a

26 Mr Harold Clapham, Mainland Finance, *Transcript of Evidence*, Deniliquin, 24 January 2011, pp. 32-33.

27 National Water Initiative 2004, paragraph 79, p. 17.

28 Council of Australian Governments: *Intergovernmental Agreement on Murray-Darling Basin Reform*, July 2008.

senior executive overseeing a division within the Department. In his or her capacity as a member of the senior executive, the CEWH is responsible to the Minister through the departmental secretary.

- 6.53 Indeed when invited to appear before this Committee's inquiry, the CEWH chose to appear with SEWPAC.²⁹ The Committee regards this as an unacceptable blurring of these dual roles.
- 6.54 Mr Ian Wiskin, of Fifth Estate Consulting, also raised concerns about this dual role:
- ... I think that is where you have some management problems. You have SEWPAC on the one side and they actually sit on the same floor in John Gorton House. You have the Commonwealth water holder on one side of the floor and there is supposed to be this Chinese Wall between the water purchasing people on the other side of the floor. To me, once the water is acquired for an environmental purpose, why is SEWPAC the agency responsible for determining where that water goes? I would have thought that is the role of an authority or a delivery agency.³⁰
- 6.55 Industry stakeholders suggested that this arrangement has resulted in a lack of visibility of the CEWH to communities. The Deputy Chairman of the Australian Dairy Industry Council, Mr Robert Poole, stated:
- We need a lot more detail about how the Environmental Water Holder is going to operate because irrigators really understand their market and their allocation system and they will want detail to have confidence in how this big unit holder is going to operate in the marketplace.³¹
- 6.56 It is clear that the current arrangements do not adequately address the commitments made by the Government in the 2008 inter-governmental agreement as:
- while accountability does exist, the arrangement is not transparent as the outcomes of such processes are not readily apparent to many outside of government;
 - regardless of who holds the position, placing dual responsibilities on a single officer potentially compromises the independence of the position, and at very least, contributes a perception of a conflict of interest; and

29 *Transcript of Evidence*, Canberra, 9 February 2011

30 Mr Ian Wiskin, Fifth Estate, *Transcript of Evidence*, Canberra, 25 March 2011, p. 14.

31 Mr Robert Poole, Deputy Chairman, Australian Dairy Industry Council, *Transcript of Evidence*, Canberra, 2 March 2011, p. 5.

- with the inevitable increase in the complexity of the role of the CEWH with the implementation of the Basin Plan, the demands on the office will similarly increase.
- 6.57 Based on the need for greater transparency and the inevitable evolution of the role of the CEWH, it is apparent to the Committee that the way this office is currently constituted is inappropriate.

Capability of the Commonwealth Environmental Water Holder

- 6.58 Since its establishment, the environmental watering activities of the CEWH have been limited due to its small environmental water holdings (relative to its intended holdings) and low allocations during the recent drought. It is apparent from its annual reports that the CEWH has focussed on establishing the portfolio, internal processes and building relationships with state counterparts.³²
- 6.59 The Committee heard concerns about the ability of the CEWH as an institution to deliver on environmental objectives given the complexity and scale of the task.
- 6.60 For instance, Kirsty Bartrop from Griffith referred to the need for assurance that, if water is to be given up, that it will be used in accordance with the best possible science and to efficiently achieve real environmental benefits:
- ...we are seeing significant changes in water use efficiency through breeding programs and farming techniques being improved. This advancement in skill and technology needs to be continued and applied to the environmental watering plans where possible to maximise on our asset...³³
- 6.61 The role of the CEWH will be critical in the successful implementation of the Basin Plan and realising environmental objectives. Community confidence in the capability and governance of the CEWH as an institution is essential to its success and the acceptance of the delivery of environmental water in the Basin.
- 6.62 In his capacity as the CEWH, Mr Ian Robinson stated that holding environmental water is in its early days:

32 SEWPAC, *Commonwealth Environmental Water: 2009-10 Outcomes Report*; SEWPAC, *Annual Report of the Commonwealth Environmental Water Holder 2009-10*.

33 Ms Kirsty Bartrop, *Submission 238*, p. 4.

...we are in our third year of use of water and in terms of managing held environmental water it is a new business for everyone. The Living Murray program was a few years ahead of that, so it would be right for me to say that managing held environmental water is a new field...³⁴

- 6.63 The current arrangements include the establishment of the Environmental Water Scientific Advisory Committee. This is a panel of scientific experts appointed to advise the CEWH and the Department on the use of water purchased. This committee comprises prominent scientists and experts in fields such as hydrology, limnology, river operations management, river and floodplain ecology and the management of aquatic ecosystems.
- 6.64 However, while such an expert panel is highly valuable, the CEWH needs a level of technical expertise to exist within its own staff. As an institution, the CEWH needs to have a strong scientific and engineering underpinning with a reputation of excellence in order to achieve its objectives. The Committee is also concerned that, once the CEWH has a full allocation of environmental water and is developing and delivering the environmental watering plan, that this be undertaken by a scientific agency, not a policy department.
- 6.65 Commonwealth departments are generally policy based organisations with a professional workforce enjoying a high level of mobility within the Australian Public Service. While this is well suited to the work of the public service in developing and delivering government policies it is not conducive to building a culture of technical expertise and excellence that would attract the right people with the necessary skills to deliver on the responsibilities that the CEWH will have in the near future.
- 6.66 The Committee is of the opinion that, as a matter of priority, that a dedicated agency, led by the Commonwealth Environmental Water Holder should be established. This agency should develop the capacity to attract and develop scientific and engineering expertise and is transparent and accountable.

34 Mr Ian Robinson, Commonwealth Environmental Water Holder, Department of Sustainability, Environment, Water, Population and Communities, *Transcript of Evidence*, Canberra, 9 February 2011, p. 12.

Recommendation 20

The Committee recommends that the Commonwealth Government establish a dedicated agency to be led by the Commonwealth Environmental Water Holder with a focus on:

- **developing the scientific and engineering expertise to deliver an efficient environmental watering plan;**
- **improving knowledge of the water needs of environmental assets and how best to manage them; and**
- **transparency and accountability to its key stakeholders, including the community.**

Improving the accountability of water reform

6.67 As discussed above, one of the key concerns about the management of environmental water once it is transferred from productive use is the accountability of the agencies managing its use:

I am yet to see any evidence of any accountability as to how that water will be used. How will that water be managed in the most efficient and most effective way possible?³⁵

6.68 The Water Act provides for accountability for the implementation of the Basin Plan by the MDBA and state and territory governments through an audit function fulfilled by the National Water Commission. This function is limited to a five yearly audit of the effectiveness of the implementation of the Basin Plan and the water resource plans.³⁶ Mr James Cameron, acting Chief Executive of the NWC provided the following explanation of the audit role of the NWC:

The audit process will require us to look at the full breadth of activities or matters covered by the plan both the obligations that are placed on state authorities in the development of their water resource plans and at the environmental water plan and the salinity plans under the Murray-Darling Basin Plan itself. It is our expectation that for a five-year program of audits we will undertake a series of rolling audits that will look at different

35 Mr Peter Corish, *Transcript of Evidence*, Goondiwindi, 16 March 2011, p. 28.

36 *Water Act 2007*, ss. 87-90.

aspects. Certainly, in the early audit processes one would expect that the focus of the audit would be very much on whether there are mechanisms and frameworks in place for the implementation of activities. We will have less experience of the operation of the plan to make significant comment about effectiveness issues.³⁷

6.69 In relation to the CEWH, Mr Cameron explained that the NWC will audit their performance in regards to the implementation of the Basin Plan:

We will be auditing relevant agencies to the extent that they are giving effect to commitments or mechanisms under the basin plan. So to the extent that the Commonwealth Environmental Water Holder is acting in effect to implement the basin plan or to implement water sharing plans that have been developed under the basin plan then they would be a party that we would certainly be looking at.³⁸

6.70 The Committee heard a need for greater clarity on what the NWC's role is and a desire for more accountability, not just on the implementation of the Plan, but on the transitional arrangements. Mr Daniel O'Brien, Chief Executive Officer of the National Irrigators Council stated:

I guess there is a question at the moment as to what the NWC's role is. They are facing a sunset clause shortly. I would have thought that it could play a role in keeping governments and people like the MDBA honest in what they are doing and whether they are meeting their commitments.³⁹

6.71 It is apparent that a higher level of accountability and transparency is needed across all aspects of the implementation of the Basin Plan and related activities of relevant governments. The extent to which the NWC's new remit will achieve this is unclear, but it is likely that it will not cover the full breadth to include associated activities of government such as the buyback and irrigation efficiency programs.

6.72 The Committee acknowledges that there is a level of accountability built into water reform processes through the existing government accountability and reporting mechanisms and the new functions for the NWC under the Water Act. However, these mechanisms may not adequately deliver the transparency expected by the community.

37 Mr James Cameron, Acting Chief Executive Officer, National Water Commission (NWC), *Transcript of Evidence*, Canberra, 2 March 2011, p. 14.

38 Mr Cameron, NWC, *Transcript of Evidence*, Canberra, 2 March 2011, p. 14.

39 Mr Daniel O'Brien, Chief Executive Officer, National Irrigators Council, *Transcript of Evidence*, Canberra, 25 March 2011, p. 55.

- 6.73 The accountability processes need to be formalised and consolidated into one process that is clearly accessible by people living and working in the areas most affected by the reform process.
- 6.74 As this report notes, the reform process that is occurring in the Basin is about more than just the Basin Plan. At the core, the reform is a process that has been occurring for several decades to bring about major change in the way we manage our natural resources, build sustainable communities and care for the environment. It is also about how governments, industries and communities travel together with minimal cost to the communities of the Basin. A comprehensive accountability framework should reflect this totality.
- 6.75 The water reform process will ultimately see several billions of dollars of taxpayers' money transferring billions of litres of water from irrigation use to the environment. There is an obligation on government to account for how both the money and water holdings are being used. Whether its money or water, the community has a right see that it is being used as efficiently and effectively as possible and objectives are being met.
- 6.76 The Committee considers that this role should be undertaken by a statutory authority responsible for auditing the progress of the Basin Plan, the activities of the Commonwealth Environmental Water Holder and the national water fund, proposed in Chapter 5.
- 6.77 The Committee considers that the National Water Commission should be charged with this responsibility. The agency should be responsible for auditing and reporting on:
- the management and use of environmental water by the Commonwealth Environmental Water Holder and the manager of the proposed national water fund on an annual basis, including:
 - ⇒ the volume of water recovered for the environment;
 - ⇒ use of the proposed national water fund, including investment in irrigation efficiency and environmental works and measures;
 - ⇒ the use of environmental water including volume, location, timing and outcomes achieved; and
 - ⇒ entitlements and allocations purchased or sold, including location, timing, products (security and reliability), average long term volume and average value per megalitre; and

- the transition to and implementation of the Basin Plan, on a five-yearly basis, including:
 - ⇒ the efficacy of state water resource planning;
 - ⇒ Commonwealth investment in irrigation and environmental infrastructure projects;
 - ⇒ the accumulation of environmental water, including any water purchase programs;
 - ⇒ the impacts of government reform activities on the socio-economic wellbeing of communities;
 - ⇒ influence of government activities in the water market; and
 - ⇒ the use of environmental water and the achievement of environmental objectives.
- 6.78 It may be that it is appropriate to expand the role of the National Water Commission to take on these responsibilities, however, this agency must have a clear focus on reporting in a transparent and accessible way to stakeholders.
- 6.79 The Government should also consider proposing to Basin state and territory governments that this agency take on the role of auditing the operation of the Murray-Darling Basin Agreement.

Recommendation 21

The Committee recommends that the Commonwealth Government charge the National Water Commission with responsibility for auditing and reporting on:

- **the management and use of environmental water by the Commonwealth Environmental Water Holder and the manager of the proposed national water fund on an annual basis, including:**
 - ⇒ **the volume of water recovered for the environment;**
 - ⇒ **use of the proposed national water fund, including investment in irrigation efficiency and environmental works and measures;**
 - ⇒ **the use of environmental water including volume, location, timing and outcomes achieved; and**
 - ⇒ **entitlements and allocations strategically purchased or sold, including location, timing, products (security and reliability), average long term volume and average value per megalitre.**
- **the transition to and implementation of the Basin Plan, on a five-yearly basis, including:**
 - ⇒ **the efficacy of state water resource planning;**
 - ⇒ **Commonwealth investment in irrigation and environmental infrastructure projects;**
 - ⇒ **the accumulation of environmental water, including any water purchase programs;**
 - ⇒ **the impacts of government reform activities on the socio-economic well being of communities;**
 - ⇒ **the influence of government purchasing activity on the water market; and**
 - ⇒ **the use of environmental water and the achievement of environmental objectives.**

6.80 The interrelationship of the CEWH and the new agencies recommended in this report are discussed in the following Chapter.