

Bringing it all together

- 7.1 The management of the Murray-Darling Basin and its productive regions has been a challenge since federation because of the multijurisdictional responsibilities and competing interests involved in sharing a resource and managing what is one of the most productive regions in Australia.
- 7.2 The Committee spent many months meeting with individuals, organisations, government departments and state, territory and federal ministers throughout the Basin.
- 7.3 In contrast to the hostile response received by the MDBA, the Committee was treated with a genuine level of respect and were welcomed by communities who were most willing to engage with, and make a positive contribution to, the issues facing the Basin. The Committee hopes this report meets their expectations in making an equally positive contribution to the future of the Basin.
- 7.4 The report makes a number of recommendations aimed at reforming the governance structures involved in Basin water management; it also recommends that the timeframes for water sharing plans be aligned to 2019, giving more time to ensure that this reform does not fail.
- 7.5 While the Committee can make no recommendations aimed at state governments, it respectfully suggests in the strongest terms that the states and territory waste no time and they work in partnership with each other, the Commonwealth and local communities to ensure that this plan is successful.

A focus on the community

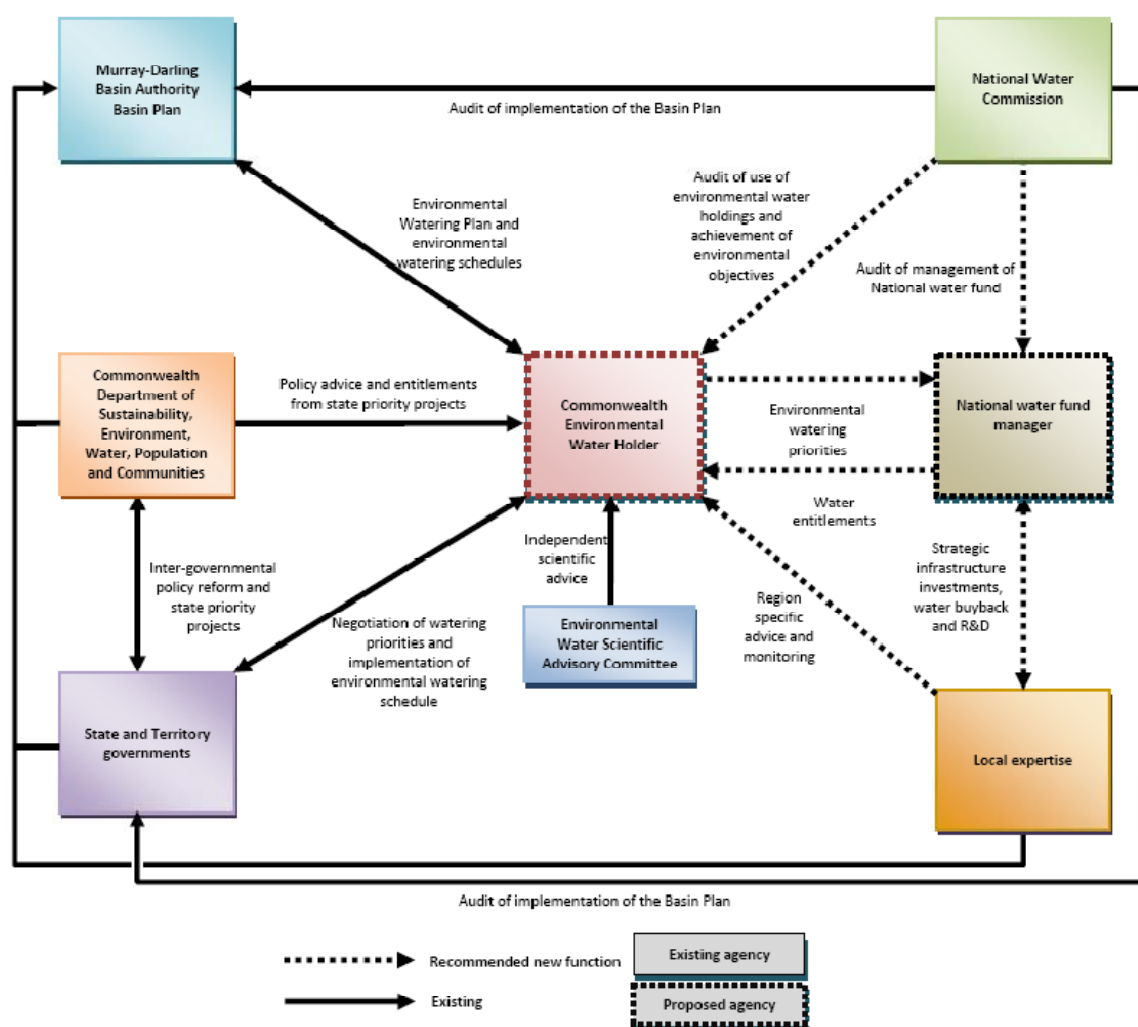
- 7.6 The report acknowledges that the release of the Guide has had a significant impact on Basin communities. It has caused stress and distress in communities that have been dealing with, amongst the many pressures inherent in small farming, a decade of drought and devastating floods.
- 7.7 The presentation of the Guide contained many failures and yet the Committee still found communities willing to engage, be consulted with and contribute to a Basin Plan. Communities want a Basin Plan, but they want a Plan that acknowledges them as a critical part of the Basin.
- 7.8 The report makes a series of recommendations aimed at improving engagement with Basin communities. It also recommends that Basin community plans be developed that provides a structural adjustment package, where required, to support communities or individuals to adjusting to new ways of managing water.

Institutional reform

- 7.9 In order to ensure that this reform is effective and community-focussed, there is a need to significantly overhaul how environmental water is sourced, managed and accounted for, then monitored.
- 7.10 This report includes a series of recommendations proposing governance and institutional arrangements relating to the transition and implementation of the Basin Plan, including:
- the establishment of a national water fund;
 - the establishment of a public company to manage the national water fund to acquire water for the Commonwealth environmental water holdings through investment in irrigation efficiency projects and strategic water purchases;
 - establishment of an independent agency, led by the Commonwealth Environmental Water Holder;
 - charge the National Water Commission to audit the progress and annual activities associated with national water reform.
- 7.11 These offices and agencies need to work together to achieve water reform outcomes in a coordinated and integrated manner. Figure 7.1 sets out the proposed new governance and institutional arrangements in the light of

the recommendations made in this report. The current and proposed governance models are also included in Appendix G.

Figure 7.1 Proposed new governance and institutional arrangements



Roles and relationships of each agency

Murray-Darling Basin Authority

- 7.12 This report does not recommend any substantial change to the MDBA, though, in order to rebuild community confidence in this organisation, emphasis should be placed on its strong technical background and science and engineering foundations. The best role for the MDBA is in research, management of river operations, the provision of robust technical advice

to other Commonwealth, state and territory agencies involved in the management of the water resources of the Murray-Darling Basin.

- 7.13 As provided for in the Water Act, the MDBA should continue to play a key role in the development and implementation of the Environmental Watering Plan in cooperation with state and territory water agencies and the reformed Commonwealth Environmental Water Holder (CEWH).

National Water Fund Manager

- 7.14 Chapter 5 recommends the establishment of a national water fund managed by government owned corporation similar to the Water for Rivers model. This organisation should be a partnership with the Commonwealth, state and territory governments as shareholders.
- 7.15 The water fund manager would be responsible for meeting the needs of its singular client, the CEWH, and delivering on other objectives as determined by its shareholders. These may include:
- acquiring water for the Commonwealth environmental water holdings through, for example:
 - ⇒ identifying and implementing water saving projects;
 - ⇒ identifying and implementing environmental works and measures;
 - ⇒ strategic purchase of water entitlements; and
 - ⇒ purchase of annual water allocations to complement the Commonwealth environmental water holdings when needed.
 - selling water entitlements on behalf of the CEWH as required to optimise its water holdings;
 - selling annual water allocations determined by the CEWH to be surplus to its needs; and
 - investing in research and development to improve irrigation efficiency.
- 7.16 The acquisition of water for the CEWH would fulfil the purpose of the current investments under the Government's Water for the Future programs, that is: assisting with the transition from the current level of diversion to the SDLs while recovering water for the environment. However, delivering it through a government owned corporation provides for a much more flexible approach that can better identify and enable win-win solutions.

- 7.17 The Water for Rivers model as outlined in Chapter 5 has demonstrated a capacity to find solutions through partnerships with individual irrigators, infrastructure providers and trusts, state water corporations and state and territory governments alike.
- 7.18 It may be appropriate for the proposed corporation to hold a modest portfolio of water entitlements from around the Basin. The annual allocations derived from these entitlements may be:
- provided to the CEWH to complement its holdings to assist in meeting the requirements of the Environmental Watering Plan in a given year and particular part of the Basin; or
 - sold on the allocations market for use in irrigation if determined by the CEWH to be surplus to its needs in a given year or particular part of the Basin.
- 7.19 If this model is adopted, the Government should consider the potential for the operating costs of the corporation to be sourced through the above activities in the water market. While a cost recovery model is attractive, the Committee has some reservations concerning how such an arrangement may be implemented to avoid market distortions. As such, negative impacts on the market should be managed through limits on the way the fund manager operates in the water market, for example limits in a given region or catchment on: the size of trades; volume of water traded in a season; or frequency of activity in the market.
- 7.20 The Committee is also concerned that the fund manager trading in times of drought may create a perception that the Government is profiteering at the expense of irrigators suffering drought conditions. To avoid such perceptions, in addition to the above suggested limits, the corporation should not deliver financial dividends to its shareholders.
- 7.21 For this organisation to be successful it would need to build strong working relationships with the regional agencies (for example, catchment management authorities, Regional Development Australia bodies), Commonwealth, state and territory water agencies, state and territory water corporations, irrigation trusts and relevant science communities. Its activities would be subject to scrutiny by the national water audit agency proposed in this report.

National Water Commission

- 7.22 The report recommends that the Government charge the National Water Commission (NWC) with auditing and reporting to government on the progress of water reform, including the transition and implementation of the Basin Plan.
- 7.23 The agency would have responsibility for auditing the relevant activities of the MDBA, the reformed CEWH and the proposed manager of the national water fund.
- 7.24 The NWC would be responsible for providing a high level of accountability and transparency through an annual report on the use of the national water fund and Commonwealth environmental water holdings and a five-yearly report on the progress of water reform and the implementation of the Basin Plan.
- 7.25 The Government should consider proposing to Basin state and territory governments that the NWC take on the role of auditing the operation of the Murray-Darling Basin Agreement.

Commonwealth Environmental Water Holder

- 7.26 This report recommends that the existing statutory position of the Commonwealth Environmental Water Holder (CEWH) be moved out of SEWPAC and supported by a dedicated, expert agency. This organisation should have a strong scientific basis, including the fields of hydrology, modelling and ecology.
- 7.27 The proposed CEWH would receive water entitlements acquired through the national water fund. It should build strong working relationships with the MDBA, proposed national water fund manager, state and territory water agencies, SEWPAC, relevant science communities and regional expertise based organisations.
- 7.28 The activities of the CEWH would be subject to annual review by the proposed national audit agency.

Commonwealth Department of Sustainability, Environment, Water, Population and Communities

- 7.29 The Commonwealth Department of Sustainability, Environment, Water, Population and Communities (SEWPAC) would no longer be responsible for the 'Restoring the Balance' water purchase program. This program would be delivered by the newly established national water fund manager.

- 7.30 SEWPAC should continue to develop policy and advice for government, liaise with state agencies on progressing the shared water reform agenda and other policy related activities that it currently undertakes. The department would continue to be responsible for government programs that are not assumed by the proposed CEWH agency and the manager of the national water fund, however the bulk of its program delivery functions in relation to water would move to the national water fund.
- 7.31 The department should continue to implement the Government's involvement in the delivery of state and territory priority projects funded under the Sustainable Rural Water Use and Infrastructure Program as discussed in Chapter 5. However, the national water fund manager should be given the capacity to tender for funding under this program to deliver infrastructure works that it identifies will result in savings for the environment.

What happens next

- 7.32 Now that this report has been presented in Parliament, the Commonwealth Government is required to respond to the recommendations within six months.¹ Given the currency and magnitude of this issue, the Committee expects that the Government will respond to at least the key recommendations more promptly.
- 7.33 To create the draft Basin Plan, the MDBA must:
- develop a draft and put it out for a 16 week public consultation period;
 - present the draft to the Murray-Darling Basin Ministerial Council (comprising all the Basin states and the ACT). The Ministerial Council can request changes, but the MDBA is not obliged to incorporate these into the draft Plan;
 - present the draft Plan to the Commonwealth Minister responsible for water.
- 7.34 After the Minister receives the draft Plan from the MDBA, he or she must:
- consider the draft Plan and:
 - ⇒ adopt the draft, or;
 - ⇒ return the draft to the MDBA with directions for amendment.

1 For further information on what happens following a committee inquiry see <aph.gov.au/house/info/infosheets/is04.pdf>.

- 7.35 Once the Minister has adopted the draft Plan, and before a Basin Plan can be finalised, it must be presented to the Parliament under the *Legislative Instruments Act 2003*.
- 7.36 It then becomes what is known as a 'disallowable instrument'. This means that for 15 sitting days of each house of the Parliament, the Basin Plan will be open to scrutiny and debate by Senators and Members. At the conclusion of this period, the Parliament has the power to refuse to allow the Basin Plan to come into force.
- 7.37 Every Senator and Member of Parliament has a responsibility to inform themselves about the issues facing the Murray-Darling Basin as they will collectively be responsible for the final Basin Plan. It is hoped that this report and its findings will assist in this task.

Tony Windsor MP
Chair
31 May 2011