



Australian Government

Australian Government Response to the House of Representatives Standing Committee on Regional Australia Committee Report:

Of drought and flooding rains

Inquiry into the impact of the Guide to the Murray-Darling Basin Plan in Regional Australia

November 2011

Government Response to Inquiry into the impact of the Guide to the Murray-Darling Basin Plan in Regional Australia

The Government welcomes the House of Representatives Standing Committee on Regional Australia's report 'Of Drought and Flooding Rains' as part of a process of strengthening community and Parliamentary engagement in this major reform aimed at delivering a healthy working Murray-Darling Basin ('the Basin').

A healthy working Basin will be underpinned by healthy rivers, sustainable food and fibre production and strong communities.

The Government is pleased to hear the Committee's report that there is widespread community recognition that a better balance needs to be achieved between the consumptive use of water and the environment.

The feedback received by the Committee was necessarily based on last year's *Guide to the Proposed Basin Plan* which generated concern about the potential for community impacts. Looking forward, the Government will assess the feedback received through the 20 week consultation period on the draft Basin Plan that has been prepared by the Murray-Darling Basin Authority (MDBA) with greater input from Basin communities and stakeholders.

To achieve a long-term rebalancing of water for consumptive use and the environment, the Basin Plan will set new limits on consumptive use of water (sustainable diversion limits, or 'SDLs'). The Commonwealth, Basin States and the MDBA all have a role to play in the implementation of the Basin Plan, over a period of seven years to 2019. For its part, the Government is investing over \$9 billion directly in the Basin through the Water for the Future program, making this the largest single agricultural adjustment program in Australia's history.

The Government has committed to 'bridge the gap' between current diversion limits and the SDLs in the Basin Plan. Every drop of water recovered will be paid for either through market purchase, investments in more efficient irrigation infrastructure, or environmental works and measures to deliver more water-efficient environmental outcomes for the Basin's rivers and wetlands. This means that the water entitlements of farmers and other water users will be protected.

The Government's response to the Inquiry's recommendations builds on the actions taken to respond to the interim findings of the Committee including the adoption of smaller, more regular water purchase tenders to provide a steady, measured pace of water recovery.

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Recommendation 1

The Committee recommends that the Commonwealth Government commission a study to identify all regulations and agreements in place that inhibit the efficient management of water in the Murray-Darling Basin and, where appropriate, work with the states to remove these regulations.

Agree to work with Basin States to improve Basin river management efficiency.

In response to this recommendation, the Government recommits to working with Basin States and the community to ensure that the regulatory framework supports the efficient and effective management of water in the Basin. The regulatory framework includes the Murray-Darling Basin Agreement and relevant operational rules and procedures of the MDBA and the Basin States.

The Commonwealth and Basin States are jointly reviewing the Murray-Darling Basin Agreement to examine options for more effective and efficient river operation arrangements in the Basin – this review is expected to report in 2013. A River Murray System Operations Review is also underway.

The Commonwealth Government will seek to ensure that these processes identify or deal with impediments to efficient water management, as recommended by the Committee.

Consistent with this approach, the Murray-Darling Basin Ministerial Council, convening as the Legislative and Governance Forum on the Murray-Darling Basin, on 4 November 2011 agreed that a work program would now be developed to assess the potential for new and revised river management arrangements to improve the efficiency and effectiveness of delivering environmental water.

Recommendation 2

The Committee recommends that the Murray-Darling Basin Authority apply greater rigour to the assumptions made to develop the proposed sustainable diversion limits, including the forecast impact of climate change, taking into account regional variability.

Agree in principle

The independent MDBA relies heavily on internationally and nationally peer-reviewed science. Information about these reviews is on the MDBA website and the Basin Plan Knowledge and Information Database. The Commonwealth Scientific and Industrial Research Organisation ('CSIRO') is leading the MDBA's most recent scientific review, which considers the approach used to determine the environmentally sustainable level of take in the Basin.

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Recommendation 3

The Committee recommends that the Murray-Darling Basin Authority improve data on groundwater availability, use and connectivity with surface water prior to proposing sustainable diversion limits for groundwater.

Agree in principle

The Government supports the independent MDBA developing Sustainable Diversion Limits ('SDLs') for groundwater based on best available data and understands the MDBA is working closely with Basin States to improve its understanding of groundwater reduction programs and to test methods used to develop the SDLs.

The Commonwealth is also investing in a national groundwater model through its investment in better water information. The Bureau of Meteorology, together with the CSIRO, Australian National University and Geoscience Australia, is developing the Australian Hydrological Geospatial Fabric ('Geofabric') to map spatial relationships between important hydrologic features such as rivers, dams, lakes, groundwater aquifers, diversions, drains and monitoring points.

This will be supported by the National Groundwater Information System which will bring together groundwater information from state and territory agencies, harmonised to a common standard in a national database to improve our collective understanding and management of Australian groundwater resources.

It is expected that SDLs for both surface and groundwater in the Basin will be set by the MDBA taking into account the best available information, and that any revisions to the Basin Plan will be informed by improved groundwater information.

Recommendation 4

The Committee recommends that, in developing the proposed Basin Plan, the Murray-Darling Basin Authority must:

- **develop a community engagement strategy, tailored for each catchment community, focussed on transparency of process with clear and meaningful opportunities for local communities to contribute;**
- **engage all Basin stakeholders, including local, state and territory governments in a genuinely inclusive and respectful manner;**
- **draw upon local knowledge and expertise;**
- **recognise the social and cultural needs of Aboriginal people;**
- **clearly communicate the need for a Basin Plan;**
- **clearly communicate the process, roles and responsibilities for the implementation of the Basin Plan, including:**
 - **the role of the Basin Plan;**
 - **the role of Commonwealth water recovery programs;**
 - **the roles and responsibilities for state and territory governments in water resource planning under the Basin Plan; and**
 - **linkages and partnerships between Commonwealth, state and territory governments and relevant agencies within each jurisdiction in the implementation of the Basin Plan.**

Agree in principle

Consistent with this recommendation, the independent MDBA has been working closely with stakeholders in the preparation of the draft Basin Plan.

The draft Basin Plan, once released, will be subject to a 20 week consultation period. Affected communities and stakeholders will be able to consider the science, explore ways to achieve catchment based environmental objectives and genuinely engage with the MDBA. This 20 week period is also the opportunity for stakeholders to make formal submissions on the draft Basin Plan. All submissions, unless requested otherwise, will be published on the MDBA website and fully considered in revising the Basin Plan.

The Government understands that Basin communities are diverse and a one-size-fits-all approach to engagement and communication would not be appropriate. The Government supports the MDBA undertaking genuine and inclusive engagement with local communities that is tailored to their circumstances. To this effect, the MDBA, with its 'no surprises' approach, has already been engaging with key stakeholder groups and communities to develop targeted engagement activities for the 20 week consultation period. In addition, an Indigenous focussed engagement strategy has been developed in conjunction with the Northern Murray-Darling Basin

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Aboriginal Nations ('NBAN') and Murray Lower Darling Rivers Indigenous Nations ('MLDRIN').

Communication material also needs to be accessible and tailored to diverse stakeholders, ranging from 'plain English' summaries to tools that enable more detailed interrogation of the data. The MDBA, in addition to preparing a suite of easily understood documents explaining the content and implications of the draft Basin Plan, is preparing a communication document specifically for Aboriginal people in the Basin (A Yarn on the River).

Commonwealth and State water ministers have agreed that each jurisdiction has a role to play in supporting local communities to contribute their expertise, knowledge and innovative local practices and have agreed to develop an implementation strategy for the Basin Plan.

The MDBA is also in discussion with Basin States and the Commonwealth over arrangements to implement the Basin Plan.

Recommendation 5

The Committee recommends that the Commonwealth Government develop separate community basin planning that provides:

- **localised and targeted structural adjustment packages;**
- **the development of localised economic development plans supported by workforce development and training packages to support Basin communities;**
- **strategies for enhancing communities (with particular focus on mental health support services and investment in social infrastructure); and**
- **recognition of the specific needs and economic circumstances of Aboriginal communities living in the Basin.**

The development of this plan must be in partnership with states, local government and the community.

Agree in principle

The full impacts of the Basin Plan will need to be regularly assessed and may not occur for many years. Impacts will depend on the final Basin Plan which will be developed by the MDBA following the 20 week consultation period on the draft Basin Plan.

The Government is taking early steps to deepen its understanding of potential impacts and possible responses. In particular, the Minister for Regional Australia, Regional Development and Local Government, the Hon Simon Crean MP, has been consulting through Regional Development Australia ('RDA') committees over the possible economic, social and environmental impacts of the Plan. This consultation is will assist the Government to better understand local Basin community needs and to encourage the development of potential solutions to build industry productivity and strengthen economic diversification and resilience. The Government is also consulting with Basin States to better understand their

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response measures as part of the implementation strategy referred to at Recommendation 4 above.

The Government is committed to delivering a healthy working Basin underpinned by healthy rivers as well as sustainable food and fibre production and strong communities. The Government will consider the need for further adjustment assistance as the content of the Basin Plan becomes clearer.

The Government's Water for the Future program is investing heavily in the Basin to recover water for the environment and help irrigators and communities adjust to a future with less water. Every drop of water recovered by the Commonwealth for the environment is being paid for through direct water purchase or investment in water saving irrigation infrastructure.

The MDBA's proposal to commence the SDLs from 2019 will lessen impacts by providing a seven year transition period for communities to adapt to the reduced availability of water. This will also allow planned investments in irrigation infrastructure and environmental works to be completed before SDLs come into effect.

Other Commonwealth programs are assisting in bolstering economic activity and addressing social pressures in regional areas, including in the Basin. For example:

- \$1 billion for infrastructure projects and initiatives that contribute to the long-term growth of communities through the Regional Development Australia Fund, with funding to come from the Mining Resource Rent Tax;
- development of Education, Skills and Jobs Plans by Regional Education, Skills and Jobs Coordinators in consultation with local stakeholders, including RDAs, to improve participation, education and training outcomes in communities;
- enabling primary producers and industries to adapt and respond to the impacts of climate change by improving the adoption of risk management and business management skills and increasing adoption of new technologies and best practice management through FarmReady;
- \$144 million over four years to expand the provision of short term psychological strategies services under the Access to Allied Psychological Services Program;
- the introduction of a Small Business Support Line to provide small business owners with a single point of contact to access information and referral services to improve their business sustainability and help better manage their businesses; and

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- \$13.3 million in 2011-12 to fund the Rural Financial Counselling Service.

Recommendation 6

The Committee recommends that the Commonwealth Government ensure that the mining industry is placed under the same obligations as other water users in the Murray-Darling Basin by ensuring:

- **that no mining activities are approved that impact on Basin water resources until such time that the impact of such activities is fully understood and able to be mitigated; and**
- **relevant legislation/regulations are applied with a specific focus on mining activities in the Basin as a matter of urgency to ensure that the long-term health and productivity of water resources are protected.**

Agree to refer to the Legislative and Governance Forum on the Murray-Darling Basin.

In response to the Committee's recommendation, the Government will ask the Legislative and Governance Forum on the Murray-Darling Basin (previously referred to as the Murray-Darling Basin Ministerial Council) to consider this recommendation noting that the regulation of mining is largely a matter for state and territory governments.

The mining industry is subject to the same obligations as other sectors in the Murray-Darling Basin, which are primarily regulated under state government legislation. The Commonwealth's role in regulating proposals relates to impacts on matters protected by the *Environment Protection and Biodiversity Conservation Act 1999*. This includes matters of national environmental significance, actions involving the Commonwealth and actions taken on, or impacting on, Commonwealth land.

The Basin Plan will include requirements which state water resource plans must satisfy to be accredited. These requirements may include provisions relating to significant water interception activities.

The Water Act also requires that an independent expert study be undertaken before a licence is granted for subsidence mining operations on floodplains that have underlying groundwater systems forming part of the Basin system.

Government and industry have commissioned studies that will inform mining approval processes. For example, the Commonwealth is participating in a further study by the NSW Government into the likely impacts of coal mining in the Liverpool Plains area (the Namoi Catchment Water Study). This report is expected to be finalised in 2012.

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Recommendation 7

The Committee recommends that the Commonwealth Government immediately cease all non-strategic water purchase in the Murray-Darling Basin and take a strategic approach to water purchases that prioritises the lowest possible impact in communities.

Recommendation 8

The Committee recommends that the Department of Sustainability, Environment, Water, Population and Communities, in all future water purchases:

- **be more responsive to proactive sellers; and**
- **prior to any water purchase process, identify the consequences for the community.**

Agree to consult further with industry on a program which will integrate water purchasing with infrastructure reconfiguration, and on the development of a publicly released water recovery strategy which will give communities confidence in the water recovery program.

Whereas in recent years buyback money has outspent infrastructure funds, the Government is committed that infrastructure spending will now be prioritised.

Buyback spending for the remainder of 2011 and 2012 will focus on targeted purchases and the development of a program for subsystem retirement and reconfiguration.

The government is not considering general tenders in the southern connected system prior to 2013.

Recommendation 9

The Committee recommends that the Commonwealth Government focus greater investment in on- and off- farm water saving projects.

Agree in principle

The Government is investing \$4.8 billion in water infrastructure, efficient water management and water reform activities under the Sustainable Rural Water Use and Infrastructure Program ('SRWUIP') in the Basin, with an emphasis on renewal of irrigation infrastructure on and off-farm.

Water savings from water recovery projects are shared between the Commonwealth (to help 'bridge the gap') and irrigators or are retained by the local areas to provide a benefit to the community.

Completed projects under two of the Commonwealth's water efficiency programs – the On-Farm Irrigation pilots program (\$5.6 million) and Round One of the On-Farm Irrigation Efficiency Program (\$300 million in

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the Lachlan and southern connected Murray-Darling Basin) have demonstrated greater than anticipated on-farm water savings for the irrigators. Additional productivity benefits from these programs include increased crop rotation ability, increased crop water use efficiencies, improved soil management, reduced maintenance and reduced weed control requirements.

The \$650 million NSW Private Irrigation Infrastructure Operators Program ('PIIOP') is also well underway. PIIOP Round One investment (\$263 million) was announced in mid-April 2010 and will return up to 36 gigalitres ('GL') of water to the Commonwealth. All of the five successful applicants (from either the Macquarie or Murrumbidgee catchment areas) have signed funding agreements and have commenced their projects. Applications for PIIOP Round Two closed on 22 July 2011.

The Government is also providing Basin States with an option of using a new outcomes based approach for the delivery of the remaining State-led Priority Projects. The new approach would accelerate delivery of projects, provide states with incentives to find efficiencies and involve local community input.

The Government will consider the balance of its water purchase and infrastructure programs in light of the final Basin Plan to ensure that these programs are able to 'bridge the gap' to the new SDLs.

Recommendation 10

The Committee recommends that the Commonwealth Government:

- **identify and assess the viability of environmental works and measures as identified throughout this report and by the community; and**
- **implement any viable measures as quickly as possible.**

Agree

The Government welcomes the examples of environmental works and measures projects identified by the Committee. Environmental works and measures have the potential to deliver more water-efficient environmental outcomes for the Basin's rivers and wetlands, thereby reducing the need to recover water from consumptive users.

On 27 May 2011, the Commonwealth announced a further \$10 million towards the cost of investigating environmental works and measures projects, comprising \$6 million for 17 state government proposals and \$4 million for a state-led process to assist the development of community-based proposals. Further details of arrangements for community-based projects will be announced separately by each state following the release of the draft Basin Plan.

Details of the current status of these projects and the projects identified by the Committee are in [Attachment B1](#).

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The Government also notes there has been significant investment in environmental works and measures through joint funding with Basin States (the Living Murray Initiative and Water for Rivers), as well as separate State projects.

Recommendation 11

The Committee recommends that the Commonwealth Government, in partnership with the Basin states and the Australian Capital Territory, develop a framework addressing the monitoring, compliance and enforcement of Basin water resource use.

Agree

In response to the Committee's recommendation, the Government commits to full implementation of the National Framework for Compliance and Enforcement Systems for Water Resource Management, to which the Commonwealth is contributing \$60 million to assist states to improve their compliance and enforcement regimes.

Furthermore, the Water Act requires the Basin Plan to include a program with specific measures to monitor and evaluate the effectiveness of the Basin Plan and measures to ensure water use is effectively accounted for.

The National Framework for Non-urban Water Metering came into effect on 1 July 2010. The Framework outlines the implementation of national standards for meter construction, installation and maintenance and compliance, auditing and reporting requirements. The Commonwealth supports states fulfilling their responsibilities under the Framework and notes that implementing a comprehensive metering regime will take time to achieve.

Recommendation 12

The Committee recommends that the Commonwealth Government identify and rectify all impediments to irrigation investment in the taxation system.

Recommendation 13

The Committee recommends that the Commonwealth Government develop and implement options for tax based incentives for efficient irrigation investment as part of the implementation of the Basin Plan.

Agree in part

In response to the interim report of the Inquiry, on 18 February 2011 the Government announced that it will act to address concerns raised in submissions to the Inquiry on the taxation arrangements for recipients of infrastructure grants which recover water entitlements for the Commonwealth under SRWUIP. This action will eliminate the timing

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discrepancy between when payments are taxed and when deductions are available for grant recipients. Applicants in receipt of these water infrastructure grants can now proceed knowing they will not be left with an unreasonable tax bill. The amendments, to be backdated to 1 April 2010, will also include changes to provide relief from capital gains tax that may be payable on water entitlements that are transferred to the Commonwealth as a result of these water infrastructure investments.

In addition, the Government has taken action to address concerns over the interaction of GST and termination fees and the effect of Capital Gains Tax ('CGT') on transformation. On 10 May 2011, the Government announced an income tax change to ensure tax does not discourage State and Territory reforms to streamline the governance of private water supply and drainage systems.

The Government notes that water facilities for primary production receive concessional tax treatment as they can be depreciated over three years rather than over their economic life. This tax concession is estimated to benefit primary producers by \$25 million per year.

Recommendation 14

The Committee recommends that the Commonwealth Government focus greater investment into research and development to improve irrigation efficiency.

Agree in principle

The Government agrees that investment in research, development and innovation is important for ongoing growth and improvement in the productivity, profitability, competitiveness and sustainability of Australia's irrigated agriculture sector.

The Government is working with states and territories through the Council of Australian Governments ('COAG') to develop a national water knowledge and research plan which will set priorities for future government research investment in the water sector. The Committee's recommendation about research and development to improve irrigation efficiency will be considered in this process.

In the meantime, the Government is making significant investments in research and development to support irrigation efficiency, including:

- \$450 million through the Bureau of Meteorology's Improving Water Information Program to make free web access to consistent, integrated national water information, suitable for a range of uses and to improve forecasting, analysis and interpretation of national water information;
- \$14.2 million in irrigation and other rural water projects under the Raising the National Water Standards program;

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- Up to \$7.2 million in funding under the Irrigation Modernisation Planning Assistance Program; and
- \$2 million in funding to date for irrigation hotspots assessment.

The Government and industries also jointly fund R&D investment through the rural Research and Development Corporation ('RDC') model. In 2009-10, industry contributed more than \$230 million to RDCs while Government contributed over \$220 million in matching funding. Individual RDCs determine their investment priorities in consultation with industry and government, and can and do invest in R&D relating to irrigation efficiency.

Recommendation 15

The Committee recommends that the Commonwealth Government establish a national water fund to:

- **invest in on- and off-farm water saving projects;**
- **invest in environmental works and measures; and**
- **invest in research and development to improve irrigation efficiency.**

The Government agrees that a new approach to infrastructure funding is required.

To provide more flexibility to the delivery of infrastructure projects, the Government has offered Basin States the option of using a new outcomes based approach for the delivery of remaining State-led Priority Projects.

Under Water for the Future, the Government is also investing directly and through State Priority Projects in infrastructure and water efficiency measures to improve rural water use, management and efficiency, and assist local communities to adapt to a future with less water.

As part of the broader SRWUIP program, a number of projects and programs are now rolling out across the Murray-Darling Basin. Irrigators and local communities are able to apply for grants to carry out works improve water efficiency on- and off-farm. Some examples of such programs are in [Attachment B2](#).

The Department, through the Minister, is accountable to Parliament for the efficient and effective delivery of these programs, which also support the Government's policy to 'bridge the gap' to the SDLs. This represents a significant financial commitment for the Government and these programs will be managed in an integrated, accountable and transparent way to ensure this commitment is met.

Recommendation 16

The Committee recommends that the Commonwealth Government consider establishing a national water fund manager that may:

- **take a strategic, localised approach to water purchase;**

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- **in special circumstances, sell surplus environmental water as well as purchasing additional water when needed;**
- **identify and invest in irrigation and environmental infrastructure projects.**

The Government agrees with the objectives referred to by the Committee in relation to the establishment of a national water fund manager but considers they can be achieved effectively within existing institutional arrangements.

The Government acknowledges how important it is that the water purchase and infrastructure programs are targeted to best support communities and industry in the transition to the new SDLs under the Basin Plan. To ensure effective program and project roll-out, the Government is implementing measures to enhance its current program delivery arrangements, as described in the responses to recommendations 7, 8, 9 and 15.

This will build on current approaches which enable devolved delivery of the Government's programs through local level organisations, such as irrigation water providers, industry associations, catchment management authorities and local councils. Through programs such as the \$300 million On Farm Irrigation Efficiency Program and the \$650 million NSW Private Irrigation Infrastructure Operators Program, local level organisations are being funded to undertake projects that best meet the needs of their local irrigators and communities, including the provision of funding for locally-led strategic water planning as a basis for further government investments.

The Government also notes that under the *Water Act 2007*, the Commonwealth Environmental Water Holder ('CEWH') may in certain circumstances trade water that has been recovered for the environment. Consistent with the objectives of the Committee's recommendation, a discussion paper outlining a range of issues related to trade of Commonwealth environmental water has been released.

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.

Agree

The Government agrees with the need for joint implementation arrangements. Following the Committee's recommendations, the Government has been in discussion with the MDBA and Basin States over arrangements to implement the Basin Plan. The Commonwealth and the Basin States have agreed to develop such an implementation strategy.

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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.

Agree

The development of water resource plans is the responsibility of Basin States. However, a cooperative approach to developing plans is envisaged.

State water resource plans applying in the Basin will need to be compliant with the Basin Plan, and as such would benefit from the involvement of the MDBA at an early stage. All state and territory water planning legislation requires their agencies to consult and engage with stakeholders in the individual water plan areas. The CEWH has indicated a willingness to work with state and territory Governments as they develop their water resource plans, to ensure efficient and effective use of Commonwealth environmental water.

The Commonwealth, states and territories are also implementing National Water Initiative-consistent guidelines for water planning and management. These guidelines include principles for engaging all stakeholders in the development of water plans in an appropriate and meaningful way, including Indigenous peoples.

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.

Agree

The MDBA is responsible for preparing the Environmental Watering Plan and environmental water held by the Commonwealth must be managed in accordance with this Plan. The MDBA intends to release a companion document to the Environmental Watering Plan to explain its purpose and use examples to illustrate how it will be implemented in practice at a regional level.

Community groups, state governments and others are involved in the management of Commonwealth environmental water, including by helping determine where it is best used, delivering the water, and monitoring the outcomes. These arrangements are different in each catchment of the Basin, reflecting local circumstances and community needs. In response to the Committee's recommendation, a more active approach to

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communications and community engagement is being adopted, as discussed in recommendation 20.

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.**

Agree to establish the Commonwealth Environmental Water Office as a distinct entity.

Following the Committee's recommendations, the Government has decided to establish a dedicated Commonwealth Environmental Water Office by December 2011 as a distinct entity within the Department of Sustainability, Environment, Water, Population and Communities. The new office will be led by the Commonwealth Environmental Water Holder with a focus on the issues raised by the Committee relating to transparency, accountability and expertise. This change will not require amendment to the Water Act.

To enhance access to specialist expertise, a new operational advisory committee will be established in addition to the existing Environmental Water Scientific Advisory Committee.

Consistent with the Committee's recommendations, the Commonwealth Environmental Water Office will become more active in stakeholder and community engagement, and will work closely with counterpart agencies in Basin States. This will include increasing the opportunities for local communities to bring forward opportunities for environmental water use and seeking feedback on key strategic issues.

The office will build on existing communication and community engagement activities by:

- establishing a new stakeholder committee, which brings together groups with an interest in the use of Commonwealth environmental water in the Basin;
- improving the Commonwealth environmental water website to include more detailed information about environmental watering in each catchment in the Basin and provide an avenue for people to contribute to the use of Commonwealth environmental water;
- regularly meeting with stakeholders on a catchment-by-catchment basis, and with peak bodies; and

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- releasing publications and engaging in targeted consultation on the approach to key strategic issues including trade (as noted in recommendation 16), water shepherding, and monitoring and evaluation.

Arrangements for trade of Commonwealth environmental water will also provide for greater transparency and accountability. The discussion paper referred to in recommendation 16 proposes arrangements including publishing an annual portfolio management strategy and release of information about the outcomes of trade.

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.**

Agree there is a need for an audit and reporting function.

The National Water Commission ('NWC'), which was established following agreement of COAG, is scheduled to cease in mid-2012 and is currently being independently reviewed. The Government has drawn this recommendation to the attention of the NWC reviewer, which will report

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to COAG in late 2011. The Government is not in a position to determine whether the NWC should perform this function in advance of the review.

The Australian National Audit Office has already conducted an audit of the management of Commonwealth environmental water and it is open to the Auditor General to undertake further audits at any time. The *Water Act 2007* provides for audit of the implementation of the Basin Plan, including the management of Commonwealth environmental water.

The Government notes that there are substantial existing reporting requirements, including:

- The MDBA is required by the Water Act to advise the Legislative and Governance Forum on the Murray-Darling Basin on the impacts of the Basin Plan as soon as possible after the end of the first 5 years after the Basin Plan takes effect.
- The MDBA reports twice a year on the recovery of environmental water in the Basin and its use, and reports annually on its functions.
- The NWC is required to monitor interstate trade in water entitlements in the southern Murray-Darling Basin and provide advice on the impacts of trade.
- The COAG Reform Council has responsibility to report annually on the performance of the State Priority Projects under the Water Management Partnership Agreements.
- The Basin Plan must include a program for monitoring and evaluating the effectiveness of the Basin Plan.
- An annual report on the management and use of Commonwealth environmental water must be tabled in Parliament. In addition to this statutory requirement, a report on the outcomes of Commonwealth environmental watering is publicly released each year.

Following the Committee's recommendations, the Government will increase the transparency and accountability for the use of Commonwealth environmental water as discussed in the response to recommendation 20.

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ATTACHMENT B1

**STATUS OF ENVIRONMENTAL WORKS AND MEASURES
(RECOMMENDATION 10)**

The Commonwealth Government has announced \$6 million towards the cost of investigating 17 state government proposals for environmental works and measures. These proposals are:

New South Wales

- Euston Lake restoration and improved water efficiency
- Upper Murrumbidgee environmental flow enhancement
- Nimmie-Caira System enhanced environmental water delivery*
- Piping irrigation demands in the vicinity of State Water dams
- Burrendong Dam (outlet enhancement)
- Southern Macquarie Marshes (environmental flow enhancement)
- Investigation into efficient delivery of high priority stock and domestic supplies in the Macquarie, Murray and Murrumbidgee systems
- Modify Weirs to enhance floodplain inundation (environmental flow efficiency)

Victoria

- Watering the Lindsay Island floodplain*
- Watering the Wallpolla Island floodplain
- Watering River Red Gum sites along the Murray
- Watering black box wetlands in Gunbower forest*
- Watering the Hattah Lakes - Chalka Creek North*

South Australia

- Katfish Reach and Pike Implementation (Stage 3) (environmental water delivery)
- Eastern Mount Lofty Ranges low flow bypasses
- Implications for environmental water delivery

Queensland

- Queensland Murray-Darling Basin environmental works and measures feasibility project

** These projects were identified by the Committee in its report.*

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Water Saving Proposals Identified by the Committee

Of the 21 water saving proposals identified by the Committee, 14 projects (or similar projects in the same area) have been supported by the Commonwealth funding commitments in the order of \$600 million. Five of these projects have been completed, namely:

- Water for Rivers Mokoan Project (\$23 million)
- CSIRO pilot study in the Torumbarry Irrigation Area (\$3.9 million)
- Darling Anabranch Pipeline (\$15.4 million)
- The development of Barren Box Swamp as water and wetland storage (\$8.6 million).
- Northern Wimmera – Mallee Pipeline project (\$296 million including the Wimmera Mallee pipeline project)

These completed projects have recovered in the order of 180 GL of water for the environment.

Nine of the 14 projects receiving Commonwealth funding are in various stages of development, as summarised below. Note, dollar figures refer to Commonwealth funding.

- On-farm irrigation efficiency project led by the Goulburn-Broken Catchment Management Authority. The Commonwealth contributed funding of \$20.9m towards Stage 1 for 4.9GL of water entitlements and 35 of 150 approved projects under Stage 1 are at or near completion. In July 2011 The Commonwealth also agreed in principle to contribute \$25.1 million to Stage 2 with 91 projects currently proceeding to detailed design phase.
- Hattah Lakes: Stage one structural and engineering works at Hattah Lakes is underway and is receiving \$29 million under the Living Murray Environmental Works and Measures program. Additional investigations work at Chalka Creek is receiving funding of \$150,000 under the Environmental Works and Measures Feasibility program ('EWMF').
- Lindsay Island Strategic infrastructure and focussed watering program: concept and design is receiving \$7 million under the Living Murray Environmental Works and Measures program. Stage one has progressed to construction and stage two is receiving funding support of \$1.1 million under the EWMF program to revise concept designs and undertake further studies.
- Gunbower Forest Structural and Engineering works: \$24.4 million is being provided under the Living Murray Environmental Works and Measures program for concept design and the project is progressing to detailed design and construction at Lower landscape and Hipwells Road. Additional investigation into work at Torumbarry Weir is receiving funding support under the EWMF program totalling approximately \$0.45 million.

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- Murray On Farm Efficiency Program: The Commonwealth has committed \$30.8 million to returning 12.7 GL under round one of the On-Farm Irrigation Efficiency program. In July 2011 the Minister announced in-principle funding approval for round two of the program which includes \$34.8m for Murray Irrigation Ltd projects.
- Murrumbidgee Water for Rivers: The Commonwealth has committed \$23.5 million for 20GL (high security) and 20 GL (general security) for better management of the Murrumbidgee River. A similar project has received Commonwealth funding under round one of the On-Farm Irrigation Efficiency Program for \$15 million for 8 GL of general water security entitlements.
- Murrumbidgee Channel Decommissioning: \$15.5 million has been committed under Water for the Future Irrigator Led Group Proposals program for decommissioning of 20 km of channels with savings of 16.6 GL in the Murrumbidgee catchment. Original proposal for decommissioning of 90 km of channel was withdrawn by the group.
- Lake Wyangan catchment: \$50 million has been committed under round one of the Private Irrigation Infrastructure Operator Program for the planning design and implementation of a new water supply to the Lake Wyangan Catchment.
- Lower Murrumbidgee (Nimmie-Caira) site: \$200,000 in funding from the new EWMF program will be provided towards investigating the potential to provide both significant environmental benefit and reduced environmental water requirements through changed land use and the use of existing or enhanced infrastructure to better deliver environmental water.

Of the remaining seven projects that have not received direct Commonwealth funding, three projects (or similar projects in the same area) have been submitted for funding under round two of the Private Irrigation Infrastructure Operations Program ('PIIOP'), namely:

- Wah Wah Channel Stock and Domestic Pipeline Project
- Murray sub system retirement package
- Murray channel retirement.

A further two projects could be submitted or resubmitted by proponents through existing Water for the Future programs where eligible, namely:

- Murray – shut down of channel system by a group of 30 irrigators.
- Wimmera-Avoca modernisation of water systems in Wimmera Irrigation System.

The final two projects identified by the Committee that are not covered above have already proceeded without direct Commonwealth funding, namely:

- Mirrool Creek reconstruction of channelised sections is being managed by Murrumbidgee Irrigation Limited and is near completion.

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- Futureflow Shepparton project was subsumed into the Northern Victorian Irrigation Renewal project stage 1 and is now complete.

* Note: Commonwealth funding figures are rounded and include Commonwealth contributions to jointly funded programs such as Water for Rivers and The Living Murray.

ATTACHMENT B2

EXAMPLES OF INFRASTRUCTURE PROJECTS

On Farm Irrigation Efficiency Program

This \$300 million program provides grants to individual irrigators to upgrade their infrastructure in return for at least half the water savings. Irrigators define what works they want on their farm and they are then grouped together with other projects for economies of scale. Tranches of on-farm projects are managed by local delivery partners, such as catchment management authorities, who are familiar with the farmers and industries in their area. The program is well advanced with \$86 million contracted under round one and \$150 million committed, in-principle, for round two. The program is highly regarded by irrigators, their communities and irrigation organisations for its irrigator-focus and flexibility.

Queensland - Healthy Headwaters Water Use Efficiency Project

This project run in conjunction with the Queensland Department of Environment Resources Management is investing up to \$115 million to help farmers in the Queensland Murray-Darling Basin invest in efficient irrigation systems and technologies that reduce water loss, deliver long-term economic benefits, and return a share of water savings to the Basin's rivers, wetlands and floodplains. The first phase is nearing completion.

Northern Victoria Irrigation Renewal Project Stage 2 ('NVIRP')

This project addresses water efficiency in both the delivery system and user connections in the Goulburn-Murray Irrigation District in Victoria. This major project has been agreed with Victoria. The NVIRP connections program involves 100 per cent local engagement and agreement. Without individual agreement to the connections program on the relevant affected properties, the sub-project does not proceed. Victoria has undertaken extensive consultations with irrigators and has established formal structures to continue this liaison and receive on-going input from irrigators throughout the project.

Private Irrigation Infrastructure Program - South Australia ('PIIP-SA')

The PIIP-SA is a competitive grants program, open to individual irrigators and irrigation infrastructure operators in South Australia holding water entitlements within the Basin, to apply for irrigation infrastructure upgrades. Proposals are developed by irrigators and irrigation infrastructure operators at the local level based on the specific works required to increase their water efficiency. Projects under rounds one and two of the program totalling \$14 million have been announced, with round one projects underway.

**Private Irrigation Infrastructure Operators Program ('PIIOP')
NSW**

The PIIOP is a competitive grants program in NSW aimed at improving scheme efficiencies including restructuring of channel configuration,

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channel upgrades, on-farm upgrades and rationalisation for NSW
Irrigation Infrastructure Operators. Round one projects totalling \$256
million are underway and round two is currently under assessment.