



**Australian Government**  

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**National Water Commission**

**2011 assessment of Australian water reform**

**Hotel Realm**

**18 National Circuit, Barton, ACT**

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**12.00pm**

**Delivered by**

**Ms Chloe Munro**

**Chair, National Water Commission**

I'm delighted to be here with you today to launch the third biennial assessment of the implementation of the National Water Initiative.

This third report has special significance. It is not just an assessment of progress by governments in implementing the actions to which they committed when signing the Initiative.

It is also an assessment of the extent to which these actions have improved the sustainable management of Australia's water resources. In other words, it is an assessment of the impact of the National Water Initiative itself.

In essence our conclusion is this: water reform under the guidance of the National Water Initiative has been worthwhile. Our report demonstrates tangible benefits from the progress that has been made.

The going has been hard in places and not everything has been achieved that was anticipated when the NWI was agreed. Nevertheless, the framework remains robust and it is worth persisting.

I am pleased that so many of you have come here today to hear about this report. When I look around the room it strikes me that the composition of the audience says a great deal about the broad relevance of the National Water Initiative.

A true cross-section of interested parties is represented here today: legislators, policy advisors, Indigenous Australians, farmers, scientists, environmentalists, industry... the list goes on.

Many different groups with many different interests - sometimes aligned, sometimes competing - but with a common understanding that Australia's future wellbeing is vitally dependent on wise management of our most basic natural resource - water.

You also share a common understanding of the complexity of our nation's arrangements for managing water - a complexity born of history but also born of the nature of the resource itself.

Water is woven through our landscape and through our economy. It links ecosystems with communities, and with industry.

And although water is the ultimate renewable resource, it is also subject to the vicissitudes of our highly variable climate. With the prospect of greater variability due to climate change, and with increased demands from population growth and the development of new industries, the challenges are intense.

Water management is complex and so water reform is complex. Water management is challenging and so water reform is challenging.

### **Impact of the drought**

Over the last decade, the complexity and the challenges played out as the worst drought on record took hold. It affected city dwellers and country people alike.

In our towns and cities, the impact of water restrictions and rising supply costs saw water rivalling real estate as a barbecue stopper.

In the bush, the relentless dry brought despair to many as towns, businesses and important agricultural industries came under acute pressure and struggled to survive.

The resilience of our much loved environment was tested to its limits as ancient trees died and iconic species declined in numbers.

And then after a decade of drought came a summer of devastating floods – proof, if ever we needed it, of nature’s vagaries.

And proof too that any effective water management policy must take into account these extremes of climate, at the same time as balancing economic growth with environmental protection.

This is what the federal, state and territory governments sought to achieve when they signed the National Water Initiative in 2004.

This was a landmark agreement.

For the first time a nationally agreed, coherent set of principles and reform actions for water was codified with the aim of achieving economic, social and environmental outcomes.

### **NWI – the right framework**

Through its 2011 assessment of water reform, the National Water Commission has tested the evidence and questioned the approach.

It is the Commission’s considered view that the National Water Initiative remains robust and relevant.

It is robust in the core principles that it articulates about the interrelated elements of good water management. It is relevant in that it continues to enjoy broad and sustained stakeholder support.

It has been a focal point for water reform nationally, providing clear direction for governments and for water users.

And where National Water Initiative commitments have been met, stronger, more transparent and more accountable institutional arrangements have been put in place.

The National Water Initiative is recognised globally as a model for good water governance, for addressing the challenges of cross-jurisdictional management of

shared resources, and for harnessing the power of markets and price signals to encourage efficient use and investment.

As Dr John Briscoe from Harvard University recently said:

‘Internationally, Australia is viewed as a leader in water management. This is a perspective that is not often appreciated within the country, but the reforms and institutions that govern water management are among the most advanced in the world.’

Importantly, the National Water Initiative contained an innovative mechanism for maintaining and refreshing the water reform agenda – effectively a series of regular checkups – to be provided to COAG and publicly reported.

This latest report, recently delivered to first Ministers, sets out what has been achieved in water management and puts forward a potential roadmap for building on and reinforcing these achievements.

This roadmap is laid out in 12 recommendations – 12 critical actions to reinvigorate Australia’s water reform agenda and ensure that wise stewardship of our water resources remains a national priority.

Taking into account what has been learned so far, our recommendations address gaps, shortcomings and new issues.

In summary the recommendations cover three key elements we have identified as essential to continuing national water reform.

These are: renewed leadership, a maturing of the water management agenda and a focus on the national arrangements that will make it happen.

I will return to these points later.

## **Progress**

But first I want to tell you the good news and to explain why the Commission has the view that water reform under the National Water Initiative has been worthwhile.

Because there is good progress to report in many areas of water reform.

Based on the Commission’s analysis and on discussions with industry, with government, with experts in the field and with interested individuals, it’s clear that the implementation of NWI commitments has delivered tangible benefits to individual water users, to communities and to the environment.

In rural Australia, water users in most jurisdictions have a more secure and tradeable water asset, and environmental water needs are better recognised in law and in water plans.

Water trading has become a vital tool for many irrigators in responding to variable water availability and to other market factors.

This has been supported by the removal of many artificial barriers to trade, by the facilitation of interstate trade and by the implementation of better service standards and transaction systems.

Water markets have produced positive economic gains at the community, regional and national levels. Surface water, at least in the Murray–Darling Basin, is traded in an increasingly mature market.

Market mechanisms have allowed governments to step in and buy water for the environment. This is a cost effective means to adjust the balance between environmental and agricultural uses of water while respecting the framework of entitlements.

Our cities and towns have more certain water supplies than a decade ago, because actions taken under the National Water Initiative have made water use more efficient and sustainable. Major capital investments have improved the security of water supply in Australia's urban centres by bringing online additional supply options.

Across Australia, we understand better our natural water systems, allowing planners to make better decisions.

Through improved governance, there is also a better understanding of the rules, roles and responsibilities of the people and institutions involved in water management.

And there has been significant investment in improving how we account for water, in metering water use, and in the science behind water decision making.

Pricing and institutional reforms have also been beneficial.

Consumption-based and cost-reflective pricing has encouraged more efficient water use, although during the recent drought the pricing signal was less significant in urban systems than water restrictions and other demand management strategies.

The recovery of full efficient costs means that many water businesses are now better placed to fund necessary maintenance and new investment.

And independent economic regulation and consumer protection frameworks, where implemented, are improving transparency and accountability while protecting disadvantaged customers.

## **Disappointments**

On the other side of the ledger, the report documents some borderline results and even fails.

Some of this can be attributed to the complexity and ambitious nature of the reform task.

Many of the agreed actions are inherently difficult, and some of the deadlines were unrealistic even at the time the National Water Initiative was signed.

As a result, many important actions are not complete.

Drought has distracted and complicated the implementation effort as well as masking some of the results.

Political commitment and leadership have been variable, and bureaucratic processes have been slow and often obscure to those to whom the outcome matters most. Historically high levels of investment in water management and infrastructure, including by the Australian government, have not always been well aligned with reform objectives.

And community confidence has been damaged by delays in delivering on National Water Initiative commitments, by inconsistent implementation and by less than adequate involvement of affected communities.

While there have been some examples of good practice in this area, the community reaction we saw to the release of the Guide to the proposed Murray–Darling Basin Plan last year highlights the importance of designing decision-making processes to build people’s trust and confidence.

Reform requires real and persistent political commitment, genuine community engagement, and sustained resourcing for the building blocks of responsible water management.

### **Sustainable water management**

Outcomes for the environment from water reform are not as clearly demonstrated as the outcomes for the economy.

While we have seen welcome progress across jurisdictions in the development of environmental water management institutions and the recovery of water for environmental needs, we have also seen how easily ad hoc government interventions can undermine the security of water for rivers and wetlands.

In extreme conditions, water plans have been set aside and the environment has drawn the short straw.

Accountability for environmental outcomes remains weak, even when they are specified in the plans.

In particular, monitoring capacity is often inadequate, and plans still lack the necessary science to link environmental watering with ecological outcomes.

Nevertheless, the planning cycle continues and generally new plans are more soundly based than older ones. This gives some grounds for optimism.

The real test for how well we are doing to keep a fair share of the resource for the environment will be when drought conditions return.

We need to be 'stress testing' the planning and management systems now not only for how well they can deal with expected extremes, but also for clarity about how decisions will be made if conditions move beyond the extremes anticipated in the plan.

The Commission put a marker down in our 2009 biennial assessment when we said "water is still in trouble". This was because we saw insufficient progress towards the core commitment of the National Water Initiative: the commitment to tackle over-use and over-allocation.

Regrettably we find that this position has not improved.

The Commission is deeply disappointed that the stated commitment of NWI parties to make substantial progress by 2010 in adjusting all over-allocated or overused water systems to sustainable levels of extraction has not been met.

Some governments remain reluctant even to identify explicitly their over-allocated and over-used systems – surely a necessary first step towards restoring those systems to sustainable levels of extraction.

Nowhere is this a challenge more than in the Murray-Darling Basin.

The implementation of the Basin Plan will be a critical test for water reform and for Australia's ability to address the core challenge of managing water sustainably.

The Water Act put in place a new governance model for the Basin. But this is not sufficient in itself to resolve the continuing and complex challenge of achieving a management regime that, in the words of both the National Water Initiative and of the Water Act, 'optimises social, economic and environmental outcomes'.

The failures of the past to achieve sustainable water management in the Basin have been as much failures of leadership as of the particular legislative and governance structures in place at the time.

Likewise, today, successful reform will depend on real leadership from all Basin governments and active involvement by Basin communities to focus on the long-term public interest.

Progress has also been disappointing in the acknowledgement of the cultural values of water resources for Indigenous Australians.

Under the National Water Initiative, governments agreed to recognise those values and to take steps to address Indigenous Australians' legitimate interests in water.

While there have been improvements in consultation with Indigenous Australians in water planning, the full intent of the NWI has not been achieved.

Many water plans do not consider Indigenous cultural values and economic development. Even where acknowledged, few steps have been made to develop strategies to address those interests.

It is for this reason that the National Water Commission established the First People's Water Engagement Council to advise us on national water issues from an Indigenous perspective.

Our report identifies other key areas of the Initiative that remain to be implemented effectively.

These areas include addressing currently unregulated forms of water interception; finishing the job in pricing and economic regulatory reform; continuing to put in place the metering, compliance and enforcement capacity needed to ensure confidence in our licensing systems; and fully implementing the commitments regarding groundwater /surface water connectivity.

### **Looking ahead**

Turning to the future, I want to reiterate that the consistent message relayed to the Commission from stakeholders and government agencies is that the approach spelled out in the National Water Initiative is fundamentally sound.

But if we are to deliver in full on the aspiration of the National Water Initiative there must be renewed leadership, a maturing of the water management agenda and a focus on the national arrangements that will make it all happen.

We need the leadership to set goals and visions, to communicate the benefits of reform and to make the difficult trade-offs that are in the long term public interest but may have short term costs for some parties.

Above all, political leadership is required to maintain resourcing for the building blocks of water management among competing priorities, and to stand firm in the face of political expediency.

Realising the full benefits of past efforts and investments requires not only the completion of current business, but also a refreshed approach to mitigate emerging risks and to complement a maturing reform agenda.

In particular, urban water reform commitments in the NWI were limited in scope.

This shortcoming became particularly evident as the drought highlighted weaknesses in the arrangements for managing the supply-demand balance in our cities.



Stop-go policies and poorly communicated investment decisions have undermined community confidence. Rising prices have become the issue, while questions of value and service have been obscured.

The Commission is proposing a coherent reform plan based on clear objectives and accountabilities for this increasingly complex and diverse sector.

Our recommendations on the maturing agenda also acknowledge that sustainable water management cannot be achieved in isolation. It is inextricably linked to other policy areas.

The high-level objectives of water reform interconnect with many other facets of government, including energy and resources policy, regional development, natural resource management, climate change adaptation and mitigation strategies, and urban planning.

On the ground, programs and policies deriving from different areas of government can support each other, but gaps, overlaps and inconsistencies can also lead to inefficient and undesirable results.

This is particularly the case where new frontiers are being opened, for example measures to address climate change or the rapid growth of new industries impacting on water resources.

We are recommending analysis and review of the policies and regulatory arrangements that govern these sectors to ensure that water impacts are adequately covered. At the same time, water management policies may need to be adjusted to incorporate these new uses.

We are also advocating greater coordination between water management and natural resource management initiatives, and a greater focus on water quality as an integral part of more effective water management.

This will improve environmental outcomes and result in a more coordinated and structured approach to urban water quality regulation.

It will be difficult to maintain the momentum of reform without effective mechanisms to make it all happen.

One of the cornerstones of improved water management is better knowledge, science and information.

There has been significant investment in these areas. As a result water managers have access to sustainable yields studies, improved modelling tools, better assessment frameworks, more coordinated data collection and analysis and a deeper understanding of northern Australia's water resources in particular.

Despite these gains, the gaps are considerable and the need for new knowledge continues. Currently, however, there is no national, strategic and coordinated

approach to planning and funding science to support water planning and management in the most efficient manner.

We think there should be.

There is also an emerging risk of loss of capability to undertake adequate water science with a number of current programs coming to an end.

Our recommendations also propose that governments take a more strategic approach to the reform work program and to the reporting requirements that operate under the auspices of COAG.

## **Conclusion**

The National Water Initiative has been a powerful and important instrument in improving water management in Australia.

The Commission's view is that as a consequence of the National Water Initiative, water in Australia is managed better than it was in 2004.

But there is still a distance to go.

Getting there will require a determination to be in it for the long haul; a willingness from all involved to work cooperatively in the national interest.

There is no room for failure.

The prospect of increased climate variability, the emergence of new demands on the resource and an inevitable return to drought make sustainable management of Australia's water an enduring national imperative.

An imperative which binds us all in the continuing implementation of a national water reform agenda.

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