



Australian Government
National Water Commission

Chair and Chief Executive Officer

The Hon Kevin Rudd MP
Prime Minister
Parliament House
CANBERRA ACT 2600

Dear Prime Minister

I am pleased to provide you, as Chair of the Council of Australian Governments (COAG), with the National Water Commission's Second Biennial Assessment of Progress in Implementation of the National Water Initiative (NWI). This report is required under Section 7 of the *National Water Commission Act 2004*.

The report is an independent review of national progress in water reform. It is not a scorecard of the performance or failures of the states and territories. It recognises that successful national water reform requires cooperative contributions by all parties. The report includes over 100 findings about progress in different aspects of water reform and makes 68 recommendations. The great majority of the Commission's recommendations are no cost or low cost. Some of the recommendations are challenging and novel, but together they comprise a package of practical and logical next steps to improve the way our precious national water resources are managed.

The recommendations of the report are unapologetically a reform agenda. In the Commission's view, despite the steady deterioration in water circumstances of much of Australia as a result of drought and climate change, the quality of water management in Australia has not been improving fast enough and governments need to redouble their efforts. But while reform is urgent, it is necessarily a long-term process. Sustained attention and resources will be necessary and continued hands-on leadership from COAG will be vital.

Water in Australia is ultimately a state and territory responsibility. However in recent years the Australian Government has invested large sums in water management and provided strong leadership in inter-governmental reform processes. The Commission urges that this continue. In the Commission's view, the 68 recommendations in this report offer an excellent opportunity for the governments of Australia, through COAG, to sponsor a new round of collective, concerted action to renew and reinvigorate national water reform.

There are significant gains in national productivity and environmental sustainability to be made. To reap those gains the Commission has long been convinced of the value of financial incentives from the Commonwealth to encourage, and provide resources for, the states and territories to implement the necessary reforms. For that reason the Commission welcomed the incentive funds offered last year through COAG national partnership payment arrangements. However Commissioners are concerned that implementation of these arrangements has been too slow to be giving effect in the water sector and as Commonwealth/State negotiations proceed, it is proving difficult to structure arrangements to provide the necessary incentive effect to encourage reforms to be completed. Commissioners suggest that COAG look for opportunities to make these arrangements as effective as possible.

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The Commission's package of reform recommendations would affect all Australians but would be felt most in regional Australia. The report highlights the scale of the adjustment challenge ahead for many water-dependent industries, communities, families and individuals. For example the Commission has estimated that in northern Victoria the combined impacts of water buybacks and climate change on long-term average water available for consumptive use may be in the order of 30 per cent. Adjustment pressures of this order may comprise the biggest potential obstacle to successful water reform. To ensure reform continues, the Commission urges that affected communities be given clear information about future reform directions, buyback plans, environmental objectives, infrastructure investment plans and risk assignment arrangements. Governments also need to provide affected communities with greater clarity about how water will be managed in periods of unprecedented low flows. More opportunities for communities themselves to influence the change process also need to be found.

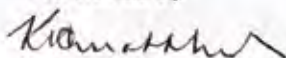
But these concerns for sensitive and inclusive dealings with regional communities should not dilute the rigorous and vital reform messages of the Biennial Assessment. For example the Commission is critical of the arbitrary four per cent limit to water markets, and the tit for tat responses by different states to the perceived impacts of water trade. The Commission recommends that all such measures be removed in a coordinated way. The Commission also recommends that governments make an historic commitment to the shared ultimate objective that all surface water and groundwater extractions across Australia should be licensed and metered or measured. The Commission fully appreciates that this far-reaching recommendation will be challenging for governments.

But challenging though the reforms may be, it is vital that they be delivered. When water extractions finally reach sustainable levels, irrigation-dependent families, farms, communities and regions will at last have the clarity and confidence for long-term planning they have been seeking since the NWI was first signed in 2004. Our national productivity will lift. Our water-dependent environmental assets will be more secure. The acrimonious disputes among state governments will reduce. Public concern and debate about water sharing and water use will begin to settle.

Water reform is a form of climate change adaptation. The central issue in water management in Australia has always been water sharing: how much for the environment, how much for consumption, and within that how much for different consumers. With climate change now pressing on us, these difficult public policy choices are intensified. Fortunately, Australia has the formula for successful choices available. The NWI is an internationally applauded prescription for better water management. It has been agreed by all the governments of Australia. It is now buttressed by very significant budgetary resources made available by governments, particularly the Australian Government. It enables concerted actions by all Australian governments toward shared objectives.

This Biennial Assessment shows that while governments have been working hard to implement the NWI reforms, progress has not been fast enough. The challenge is urgent and the reform process must be faster. The Commission urges COAG to use the assessment to trigger a renewed national effort to reform our water management, lift our productivity, and secure a sustainable future for water users, water-dependent communities and Australia's water-dependent environment.

Yours sincerely



Ken Matthews
18 September 2009