

“AUSTRALIAN WATER REFORM IN 2009”

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1. I'm very much a rational evidence-based kind of guy, but today I want to start in a different place: with some unapologetically intuitive impressions of water management and water reform in Australia – broad impressions that I hear from many Australians.
2. I start there because in 2004 James Surowiecki wrote a book “The Wisdom of Crowds” that I think has a lot of truth to it. Crowds – in this case the Australian community – usually get it right. Or at least more often than individuals thinking about issues on their own. And according to the book, it turns out they get it right more often even than elites and experts thinking in isolation about issues they think they know well.
3. This “crowd” of commonsense people – the Australian community – knows that in 2009, in the worst drought for 100 years, and as the reality of climate change bears down harder on us every month, we're not doing nearly as well as we need to in water management and water reform.
 - We know that we are losing some precious environmental assets that are national environmental icons (the Coorong, the Lower Lakes of the Murray River, our centuries-old giant red river gums, the Macquarie Marshes, our Murray Cod, our inland water birds).
 - We know that many of our irrigators are selling up or going broke. Farms that have been viable businesses for generations are now going out backwards. Farming families that staked their future on their farm are distressed and depressed.
 - We know that irrigation-dependent communities are uncertain, confused and often stressed, even angry. Model communities which were thriving a decade ago are becoming hollowed out as local businesses struggle and people move out to find their futures elsewhere.
 - We see our state governments bickering, arguing, delaying, being parochial – even litigating – when Surowiecki's crowd, has made it crystal clear they want collaboration and cooperative action.
 - ... and as we look at the whole of the intergovernmental water reform process, the crowd sees confusion, lack of clarity, and a forward view of future conditions for irrigators well short of the timeframe necessary to take life changing decisions about the family farm.
4. So the Australian community knows that all is not well with Australian water reform. The Australian community probably intuitively knows also, that water reform is complex and detailed and that there is no silver bullet. And the Australian community would probably think it would be a good thing to have a thorough evidence based public assessment of how it's going by an informed and independent critic from time to time.

5. That is just what this Biennial Assessment we are releasing today is all about.
6. It's an independent look, by an independent body, at the state of the nation's water management. It asks on behalf of Surowieki's "crowd" - the Australian community - whether our precious water is being well handled. It asks what we should be doing differently. It asks whether the ambitious reforms to water management promised by all Australian governments when they signed the National Water Initiative in 2004 are being delivered.
7. The Commission's answers to these questions are in the report being launched today.
8. The short answer is that despite a lot of effort in water reform, our water is still in trouble. Australia has been challenged for centuries by a dry and highly variable climate. But climate change has now raised the bar on water reform. The need to take climate change better into account in water management is a key theme in the Commission's report. We have known for years that water reform in Australia was important, pressing and difficult. Now that climate change is with us, important becomes vital, pressing becomes urgent, and difficult becomes downright tough.

Some progress in reform has certainly been made – and our report gives credit where it is due. For example, five years after its signature we still have an agreed policy blueprint for reform (the National Water Initiative) – and much is happening that wouldn't otherwise be happening in the absence of that reform blueprint. There is unprecedented attention to water, and unprecedented budgets – particularly the Commonwealth budget. Australia now has very successful water trading - a success which has given irrigators much needed options in tough times. There has been great progress in urban water supply augmentation and diversification. The reforms in the Murray Darling Basin are in every sense historic. And buybacks of water for the environment are happening – long overdue.

9. So why then does the Commission argue our water is still in trouble? Some evidence:
 - 15 years after state governments first promised to fix it, overallocation still undermines our attempts to put our water systems on a sustainable footing
 - 40% of the local water plans state governments promised to have in place by this year are still outstanding – and many others have been suspended – caught short by climate change. Where water plans are in place, many fail to be clear and up-front about the critical first question for local communities: "Is my local water system overallocated or not?"
 - There is ample evidence of environmental losses and degradation – yet environmental objectives and the outcomes of our environmental waterings are still unclear
 - State governments continue to have barriers to water trade in place
 - Irrigators lack clarity, confidence and full opportunity to make the necessary planning and investment decisions that will secure their future
 - In urban Australia there are still widespread water restrictions, and as climate change tightens its grip, the community continues to lack the sense of unquestioned security they grew up with about their town and city water supplies
 - And state governments are still at odds with each other. Intergovernmental processes are slow and state governments are hampered by inadequate resources. Intergovernmental decisions tend to be negotiated compromises.

10. If we did deal with these issues what sort of future could we hope for? The Commission sees a water future which is more secure, more certain and more sustainable. When water extractions across Australia finally reach sustainable levels, irrigation-dependent families, farms, communities and regions will have more certainty and confidence for long term planning, something they have been seeking since the NWI was first signed in 2004.
11. To the extent possible in Australia's dry and variable climate, the dust haze of uncertainty that shrouds future water availability will lift. Our national productivity will lift. Prospects for our water dependent environmental assets will lift. Sentiment in regional Australia will lift. We can't hope ever to lift the very Australian challenge of seasonal variability, but at least the rules of the water game will for the first time be clear and stable. Water management would move from dealing with crises and playing catch-up, to stable and predictable management.
12. Let me turn to some of the specifics in the report. It's hard to summarise 280 pages, 100+ findings and 68 recommendations in the ten minutes or so remaining but I want to draw your attention to a few of the key themes and messages.
13. On water planning, as well as finding that only 60 percent of promised water plans are in place, the Commission argues that local water plans need to provide more effectively for climate change. We suggest that all water plans need to be "stress tested" against climate change scenarios. The rules for how water plans will operate in droughts need to be clearly spelt out for all to see. Too many local water plans have been unilaterally suspended.
14. The Commission urges that water planning processes should include Indigenous interests more effectively. This means more than spiritual, cultural and customary interests; Indigenous people have legitimate economic interests too.
15. We suggest also that it's time to bring the mining and other natural resource based industries into Australia's water planning processes more effectively. In 2009 the mining/water interface is a sleeper issue, awakening.
16. The Commission is positive about the Commonwealth Government's initiatives in the MDB. The new MDB plan is a great opportunity at last to get water planning right in Australia's biggest water basin. But because the plan will not be in place until 2011, our report includes the suggestion that, in the interests of clarity for people affected, the MDBA provide interim and progressively-refined guidance on the environmental, economic and social objectives likely to be targeted in the new Basin plan. Armed with even interim guidance, irrigators, their families and communities can get on with planning and informed decision making. Without it, they're in the dark.
17. On groundwater, long the poor cousin of surface water in Australia, the Commission makes a far-reaching recommendation that, unless it can be otherwise established, groundwater and surface water should be assumed to be connected. This is the reverse of current practice. For too long in some areas of Australia, groundwater and surface water extractions have been approved independently of each other when extractions from one will affect the sustainability of the other.
18. On water accounting and water data, the Commission makes the commonsense point that we need to know where our water is being used if we are to manage it properly. We have therefore proposed that all Australian governments commit to an ambitious ultimate national goal of universal licensing and metering of all surface and

groundwater extractions, including stock and domestic supplies. We know this will be challenging. The report therefore also includes some suggestions about a sensible step by step approach to the ultimate objective.

19. In its chapter on environmental water, the Commission finds that, by and large, environmental water lacks security, especially in times of drought. Among other things, the Commission argues that state government decision making processes to reduce the availability of environmental water in drought conditions should be made much more transparent than they are now. A key objective of the NWI is to provide greater certainty, not only for investment but also for the environment.
20. The Commission strongly supports the Commonwealth Government's water buybacks for the environment and applauds the rate of implementation of the Government's program.
21. However the Commission finds that, too often across Australia, the objectives of environmental watering programs are unclear and, where they do exist, reporting arrangements on whether they are being achieved are poor. As a result, there is a degree of community scepticism about how well we are using our environmental water. We recommend a more rigorous and transparent approach.
22. The Commission also argues that in the states, environmental water managers often have a low profile, are poorly resourced and can have blurred lines of accountability. The same officials or agencies can be responsible for advising on environmental water management as well as on water for consumptive purposes. We recommend that Governments look hard at these arrangements. Australia can be a world leader in environmental water management. But the governance arrangements must be right.
23. Still on environmental water, the Commission draws attention yet again to the fact that there is still no shared national understanding of the definition of overallocation and sustainable levels of extraction. This is more than a semantic issue; unless governments share an understanding of these key concepts, meaningful action to deal with overallocation will be impossible. In one of our saddest conclusions, the Commission finds that the central NWI commitment by state governments – to make substantial progress on over allocation by 2010 – will not be met.
24. On water entitlements the Commission draws attention to the growing number of interventions by state government ministers in periods of critical water scarcity. The Commission argues that these processes have been opaque and have added to community uncertainty about water availability. Our report suggests that the principles and processes to be used should be signalled in advance of such interventions.
25. In our assessment of water trading, the Commission applauds progress and points to water trading as a great example of successful microeconomic reform. It has helped direct our scarce water to its highest value uses. It has helped many farmers and farm families deal with the adjustment pressures bearing on them. At the very time when water shortages have been most critical, it has brought forward large numbers of willing sellers of water to sustain our drought-stressed environmental assets.
26. For these and other reasons our water trading system has been admired internationally. But the Commission is concerned that various state government barriers to trade continue in place - and we recommend coordinated removal of all such barriers. The best example is the 4% limit on water trading which the

Commission considers to be poor policy: it limits capacity to buy back water for the environment; it unfairly and arbitrarily penalises willing sellers; it distorts patterns of trade including interstate trade; it inhibits desirable structural change; and it sours interstate collaboration in other areas of water reform. It's time it, and the other constraints on water trade, were dropped.

27. Among many other suggestions about water trading, the Commission also says that it's time to improve the handling of transmission losses as water is traded sometimes long distances downstream.
28. In its chapter on urban water, the Commission argues that urban water restrictions, now in place in all state capitals other than Darwin and Hobart, should be kept as a reserve response to sudden water shortages and not relied on for extended periods. While demand management has its place, the Commission has long argued that state governments should be setting long term, transparent water security (reliability) targets and investing in their supply systems accordingly. Such transparent targets also enable citizens to more effectively hold their authorities accountable for their performance.
29. The Commission's report observes that in some states it has been unclear precisely who is responsible for planning for urban water supplies against climate change scenarios – is it the local water utility, the water department, the state treasury, the premier's department or the special agencies and commissions which some states have established? Again, in the interests of clarity and public accountability, who's-responsible-for-what needs to be made clear.
30. The report acknowledges that there has been tremendous progress in diversifying our urban water supplies in recent years but we do, of course, manage to find a few more things that can be done! For example the Commission argues that no new supply option should be unilaterally taken off the table by state governments. This includes recycled water for drinking purposes. This and all other options should be weighed up on their merits – not arbitrarily excluded even from consideration.
31. Another recommended action is for the state governments to arrange for mutual recognition of their approvals for decentralised water recycling systems, such as greywater treatment systems. Currently vendors of such systems need to go through multiple approval processes across Australia. This is in no-one's interests.
32. The Commission recommends that governments avoid making grants for conventional urban water infrastructure. Consistent with the principles of the NWI, such infrastructure should be paid for by urban water consumers in the normal way.
33. And the Commission encourages state governments to continue to strengthen their independent economic regulation arrangements within their jurisdictions. Setting prices at armslength from state cabinets is surely the best way to get price signals right. Where social objectives are important – and they often are - there are surely better and more direct ways of supporting needy groups than meeting part of their water bills.
34. The final area of the report I want to highlight today is about structural adjustment. Structural adjustment is a process, not a government program. It is the natural process of socioeconomic change which affects rural communities as a result of many factors such as world commodity prices, changes in technology, demographic and social changes and changes in water availability.

35. Structural adjustment can be very challenging for those families and communities affected. The Commission is concerned that the enormous stresses and worries associated with the adjustment now underway in rural Australia are not always understood by our largely urban population. However, ultimately, structural adjustment is desirable, necessary and indeed, inevitable. It is also ultimately in the interests of people affected if adjustment can be smooth, speedy and decided by the individuals themselves, not others.
36. The Commission therefore argues that governments need to get their water policy settings in favour of adjustment, rather than impeding it. Again, the best example is the 4% limit on water trading which was originally a well intentioned measure to slow the rate of structural adjustment but which is now perversely limiting the opportunities for irrigators themselves to deal with adjustment pressures and opportunities before them.
37. Farmers do need the opportunity to make their own decisions about buying and selling water. They also need the clearest possible picture of the factors likely to affect their future. In our consultations about this Biennial Assessment, irrigators have said to the Commission that their planning is made more difficult whenever future factors affecting their business are obscure. They ask that as much information as possible be “put out there” about water reform directions, buy back plans, environmental objectives and plans, and water availability. Viable irrigators need information and flexibility – and viable communities need irrigators.
38. In our report, the Commission has included an example to draw attention to the possible dimensions of pressures for change which will impact on the future of some MDB irrigation farmers and communities. The Commission estimates that as a consequence of climate change and buybacks, in the order of 30% less water could be available for irrigation in northern Victoria in the years ahead. Pressures for change of this order are very great.
39. Similarly, irrigators and irrigation communities have been asking for greater clarity about the so-called risk assignment provisions of the National Water Initiative. These sound arcane, but in essence are the agreed arrangements on how to share the risk of reduced water availability among governments and irrigators. The Commission has recommended in our report that each government now publish guidance on how the NWI risk assignment framework will apply in their jurisdiction. This information too, would assist farmers to make the decisions they need to make about their own, and their families’, futures.
40. The last point to be made about adjustment is a positive one. The Commission strongly supports a viable irrigation sector. If the reforms in this report are tackled the irrigation sector will be more sustainable and therefore secure. Planning horizons will be longer. Data, information and knowledge about the future of water will be clearer. Investment will be encouraged. Profitability should increase. The false proposition that irrigation and the environment are fundamentally at odds with each other can be laid to rest. Morale and sentiment in irrigation communities will improve. The seemingly endless uncertainty and lack of clarity about future water availability will begin to resolve.
41. These very positive outcomes are why the Commission is urging renewed water reform effort. Australia can have a vigorous and viable irrigation sector as well as secure and sustainable environmental assets. We can have secure and efficient water supply in our cities and towns. We can deal with drought and climate change.

We can “govern” our precious water resources based on science, evidence and good process. We can collaborate across state borders according to clear rules and in the national interest. We can move beyond crisis to stable and predictable water management.

42. How? We already have the key. One clear message that has come out of our assessment is that the water reform prescriptions in the National Water Initiative are still the right ones. In fact, they make more sense than ever in a climate changing world. Deliver the National Water Initiative and we deliver a sustainable, clear and more certain and secure water future for Australians. Fail to deliver, and the stakes will only get higher - for irrigators and for the environment.
43. The Commission’s message therefore is that it’s important that all Australian governments stay the course, and finish the reforms they committed to when they signed the NWI. In 2009 Australia badly needs a renewed push to finish the reform job. And we urge COAG to use our report to give it that push.
44. So, what happens next to the report? The Commission recently submitted the report to the Prime Minister, as Chair of COAG. We provided copies to all Premiers at the same time. COAG will now need to decide how to handle the report – how to develop its own view on the ideas we have offered. When you see the report you will see that the Commission has encouraged COAG to consider the report as an opportunity for the governments of Australia to sponsor a new round of collective, concerted action to renew and reinvigorate national water reform.
45. We think Surowiecki’s “crowd” would see wisdom in that.
46. Thank you.