



Market mechanisms for recovering water in the Murray-Darling Basin

Productivity
Commission
Circular

30 July 2009
No. RWMDB C1

New Commissioned Study

The Productivity Commission has been asked to report within six months on market mechanisms for recovering water in the Murray-Darling Basin. The study is to identify appropriate, effective and efficient mechanisms that could be used to diversify the range of options to purchase water entitlements under the Australian Government's *Restoring the Balance in the Murray-Darling Basin* program to restore environmental flows. The full terms of reference are at Attachment A.

Who should participate in the study?

The Commission invites all interested individuals and organisations to participate in this research study. If you wish to register an interest in the study and have not already done so, please complete Attachment B and return it by fax or mail to the address provided. You will be kept informed about the study's progress through regular circulars and other documents. The Commission will send subsequent circulars and other information only to those who indicate their interest in the study. The Commission will also be posting updates about the study on the its website at www.pc.gov.au (see under 'current projects').

Conduct of the study

In preparing its report, the Commission will be actively seeking public input. To this end, the Commission will visit a cross section of interested parties, call for written submissions and will convene roundtable discussions with key stakeholders. To assist in the preparation of written submissions, the Commission will soon release an 'Issues Paper' to provide background information and outline matters on which it is seeking input from participants.

Before preparing its final report, the Commission will release a draft report setting out its preliminary conclusions. Following that release, interested parties will have an opportunity to provide comments through further submissions.

Key dates

Issues paper	mid August
Initial submissions due	18 September
Draft report	early November
Draft report submissions due	early December
Final report	24 January 2010

The Commissioners for the study are Neil Byron and Judith Sloan and the research team is located in our Melbourne office.

How to make a submission

– There is no specified format for a submission

Submissions may range from a short letter outlining your views on a particular topic to a much more substantial document covering a range of issues. Where possible you should provide evidence, such as relevant data and documentation, to support your views. While every submission is welcome, multiple, identical submissions do not carry any more weight than the merits of an argument in a single submission.

– Please fill out the cover sheet

Each submission should be accompanied by a cover sheet on which submitting individuals and organisations can provide personal and organisational details. For submissions received from individuals, personal contact details (eg home address, phone and fax number) in the text of the submission will be removed before it is made publicly available. Only the submitter's name and State or Territory of residence will appear in the published submission in order to ensure compliance with privacy laws. The submission cover sheet is attached to this circular (Attachment C) or is available from on the study home page at www.pc.gov.au/projects/study/water-recovery. Copyright in submissions sent to the Commission resides with the author(s), not with the Commission.

– Submissions can be of any form

Submissions may be sent by email, fax, audio cassette or mail. Arrangements can also be made to record oral submissions over the telephone. An electronic copy, if not already provided, would be appreciated either by e-mail or on disk. The electronic version can be either a text document (.doc, .txt) or Adobe Portable Document Format (.pdf). Submissions will be published on the Commission's website in pdf format. Please ensure that the version sent to the Commission is the final version and that you have removed any drafting notes, track changes, annotations and other hidden text and marked revisions. Please also remove any internal links and large logos and decorative graphics (to keep file sizes down). This will enable the submission to be easily viewed and downloaded from the website.

By mail: Recovering Water in the MDB
Productivity Commission
Locked Bag 2 Collins Street East
Melbourne VIC 8003

By fax: 03 9653 2305

By email*: water_recovery@pc.gov.au

* If you do not receive notification of receipt of an email message you have sent to the Commission within two working days of sending, please contact the Administrative Officer (see below).

– Closing date is 18 September

Submissions will continue to be accepted throughout the study, but should be received by the Commission by 18 September to be given adequate consideration prior to finalisation of the Commission's draft report.

Availability of submissions

The Commission treats all submissions as public and makes them available on our website, unless prior contact has been made concerning confidential content. Unless marked as confidential, or there are other timing issues involved, submissions will be posted to the Commission's website on the study's home page as soon as they can be processed where they will remain indefinitely.

Submissions can be viewed on the Commission's website (www.pc.gov.au) and at the Commission's offices in Canberra and Melbourne. Please contact the Commission for information about arrangements for viewing (or purchasing) hard copies of submissions.

Further information

If you have any queries please contact:

Vicki Thompson (administrative matters)	Ph: 03 9653 2214
Rick Baker (other matters)	Ph: 03 9653 2146
Fax number for the study	Fax: 03 9653 2305

Freecall number for regional areas: 1800 020 083

This circular and subsequent updates will be made available on the Commission's website — www.pc.gov.au (see under 'current projects'). Further information on the Productivity Commission and all current and completed projects can be obtained from the Commission's website or by contacting the Media and Publications section on (03) 9653 2244 or email: maps@pc.gov.au.

Terms of Reference – Productivity Commission Study into Mechanisms to Purchase Water Entitlements

Background

On 13 February 2009 the Australian Government agreed to request that the Productivity Commission conduct a study into alternative market-based mechanisms that could be used to diversify its water purchase program and secure access to the suite of entitlements necessary to restore balance to the use of the Murray-Darling Basin water resources in a timely manner.

The Restoring the Balance in the Murray-Darling Basin program currently uses an open tender process as the principal way of purchasing water entitlements from willing sellers to restore environmental flows and is being implemented over a ten-year time frame. Restoring environmental flows will provide more water for high value environmental assets, as well as protect against algal bloom outbreaks, salinity and other water quality risks that threaten the health of our rivers and the livelihood of our farmers and regional communities.

Scope of the Study

1. Review the mechanisms used nationally and internationally by governments to purchase water entitlements or similar property rights, including reverse tender processes.
2. Identify appropriate, effective and efficient market mechanisms that could be used to diversify the range of options to purchase water entitlements under the Restoring the Balance in the Murray-Darling Basin program to restore environmental flows.
3. The study would consider, but not be limited to, issues such as:
 - the proposed pace of environmental water recovery and the depth of the water markets in the Murray-Darling Basin
 - transaction and compliance costs for applicants and the Government
 - impact on the water market, particularly where the Government may be the dominant buyer
 - the implications of a developing water market and limited market price information
 - potential to use existing or developing water exchanges, auction houses or on-line water trading platforms
 - potential methods to maximise synergies between water purchase and the Sustainable Rural Water Use and Infrastructure program
 - the capacity to use different mechanisms to purchase a mix of high, general and low security entitlements to meet identified environmental needs
 - the requirements of the Commonwealth Procurement Guidelines and the *Financial Management and Accountability Act 1997*.
4. Identify impediments to new and established water purchase mechanisms and how these could be overcome.

The Commission is to consider the Restoring the Balance in the Murray-Darling Basin program guidelines, which specify the criteria used to assess sell offers and the conveyancing steps required to complete a water entitlement purchase.

In undertaking the study, the Commission is to consult widely with interested parties including Commonwealth and State Government agencies as well as industry and community groups.

The Commission is to produce and publish a draft report, and to complete its final report within six months of receipt of this reference.

Nick Sherry
Assistant Treasurer

[Received 24 July 2009]

Productivity Commission
SUBMISSION COVER SHEET
(not for publication)

Market mechanisms for recovering water in the Murray-Darling Basin

Please complete and submit this form with your submission to:

Recovering water in the Murray-Darling Basin
Productivity Commission
Locked Bag 2, Collins Street East
Melbourne, Vic 8003

OR

By facsimile (fax) to:

Vicki Thompson (03) 9653 2305

By email: water_recovery@pc.gov.au

Organisation:

Principal contact:

Position:

Email address:

Street address:

Suburb/City:

Postal address:

Suburb/City:

Phone:

Fax:

Mobile:

State & P'code:

State & P'code:

Please note:

- For submissions made by individuals, all personal details other than your name and the State or Territory in which you reside will be removed from your submission before it is published on the Commission's website.
- Copyright in submissions resides with the author(s), not with the Productivity Commission.
- Submissions will be placed on the Commission's website shortly after receipt, unless prior contact has been made concerning confidential content, or to request a delayed release for a short period of time. **Submissions will remain on our website as public documents indefinitely.**

Please indicate if your submission:

- contains NO confidential material
- contains SOME confidential material (provided under separate cover and clearly marked)