



21 August 2020

National Water Reform 2020
Productivity Commission
Locked Bag 2, Collins St East
Melbourne VIC 8003, Australia

Via email: water.reform.2020@pc.gov.au

Dear Secretariat

Re: Submission to 2020 Productivity Commission National Water Reform Inquiry

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the 2020 Productivity Commission National Water Reform Issues Paper.

Since its creation in in 2004, the National Water Initiative principles have served as provided an enduring framework which has advanced water reform in Australia. Significant progress has been made and material outcomes have been achieved.

While there is more work to be done to meet the original outcomes, it is time for the National Water Initiative principles to be renewed and refocused to incorporate lessons learnt in the past three decades of reform and to address material challenges in the future. The scale of future challenges is concerning and must be underpinned by an enduring blueprint to guide future water reform in the national interest and the interests of agriculture.

The NFF provides its submission below and makes a number of recommendations to facilitate the renewal of the NWI.

Should you require any further information, please contact Warwick Ragg, General Manager Natural Resource Management,

Yours sincerely

TONY MAHAR
Chief Executive Officer



**National
Farmers
Federation**

National Farmers' Federation

Submission to the Productivity Commission National Water Reform Inquiry Issues Paper

21 August 2020

NFF Member Organisations





The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

Statistics on Australian Agriculture

Australian agriculture makes an important contribution to Australia's social, economic and environmental fabric.

Social >

There are approximately 88,000 farm businesses in Australia, 99 per cent of which are wholly Australian owned and operated.

Economic >

In 2018-19, the agricultural sector, at farm-gate, contributed 1.9 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2018-19 is estimated to have reached \$62.2 billion.

Workplace >

The agriculture, forestry and fishing sector employs approximately 318,600 people, including full time (239,100) and part time employees (79,500).

Seasonal conditions affect the sector's capacity to employ. Permanent employment is the main form of employment in the sector, but more than 26 per cent of the employed workforce is casual.

Environmental >

Australian farmers are environmental stewards, owning, managing and caring for 51 per cent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 7.4 million hectares of agricultural land set aside by Australian farmers purely for conservation/protection purposes.

In 1989, the National Farmers' Federation together with the Australian Conservation Foundation was pivotal in ensuring that the emerging Landcare movement became a national programme with bipartisan support.

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Executive Summary

On matters related to water, the NFF is the only national body that brings a 100 per cent farm-focused viewpoint. We represent the interests of farmers that are affected by water management decisions including irrigators, riparian and floodplain landholders and stock and domestic users.

Water Resource Management

For irrigated agriculture and the broader water management framework, the establishment of secure property rights has been a cornerstone that has underpinned much of the progress achieved under the National Water Initiative (NWI). It is clear that entitlement rights and security of property rights are not sufficiently considered in the context of the multiple policy changes or complementary processes, and much less clear whether changes are attributable to policy or climate. Currently, secure water property rights backed by a statutory water entitlement framework are not yet universal for all water users, particularly in Northern Territory and Western Australia.

More can be done to improve water planning processes, especially for extractive industries. There is a need for greater integration of water use from extractive industries into respective state planning frameworks that have clear and transparent rules for extraction consistent with the NWI framework.

Communities must be confident that extractive water use is not producing perverse outcomes, especially to groundwater resources. The potential scale of impact of extractive industries on communities warrants rigorous assessment of the water quality, water quantity and water access impacts in a clear framework underpinned by robust scientific information and monitoring. The NFF is of the view that extractive industries must be required to show no net decline in water quality and no net loss in water quantity for third parties (stock & domestic, irrigation, town water supplies) against benchmark conditions.

Stock and domestic entitlement is also a landholder right that could be better reflected in the NWI. The NFF view remains that all jurisdictions should ensure there is a robust framework that recognises a clear hierarchy of water access entitlements that includes stock and domestic, urban water supplies, irrigation, intensive agriculture (feedlots), tourism and extractive water use within the water resource planning framework, including extraction limits.

Consultation processes

Genuine and meaningful consultation processes are required to address complex, interdependent and often contentious water reform processes. The trade-off of poor consultation is often the erosion of trust and confidence from communities which has long-term implications for achieving further reform processes.

More can be done by governments to clarify the principles of effective consultation processes in the NWI.

Transparency

State water registers are complex and do not allow water users to understand the landscape of the water system basin wide which they operate and undermines confidence in the integrity of entitlements and the water market.

Ideally, water users should be able to access reliable information about source, location, use, water availability, and who owns the water in a particular stretch through a system harmonised across jurisdictions. This applies to both environmental water licences and licences from extractive industries. The NFF recommends that the guidelines for registers and type of information presented should be reviewed in the context of an evolving water market to ensure there are no perverse outcomes that could threaten privacy and impact water market integrity.

Transparency in decision-making is also fundamental for water users to have confidence in governments and government processes. Water users must be able to understand the impact(s) to the reliability of their entitlement due to government policy decisions, and other relevant impacts. Governments should have a framework developed to provide information that are deemed important to irrigation farmers and communities so water users can assess risk and enter into consultation processes in good faith.

Risk assignment

The NFF believes the risk assignment in the NWI is sound in principle. The NFF notes that some states have opted to pursue their own risk assessment framework via paragraph 51 of the NWI, including Victoria. For states that have not, there appears to be little measuring, monitoring and reporting of the policy implications that may have an impact on reductions in the availability of water for consumptive use, such that paragraph 49 of the NWI is therefore arbitrary and unable to be applied. The lack of knowledge infrastructure required to assess these claims means that, in effect, the impact of policies on the availability of water for consumptive use is inadvertently borne by the water user.

Water market

The ACCC inquiry into the Murray-Darling Basin water market has identified the need for reform. Pending outcomes of the inquiry, the NFF observes that the water market, in its current form, is not consistent with the objective of long-term sustainable management of resources in the Murray-Darling Basin. Third-party interests and environmental protections should be clarified and receive a higher focus. Markets cannot be relied upon to deliver equitable outcomes.

Structural adjustment

Structural changes to communities reliant on water cannot simply be offset through grants programs. Adjustment measures generally do not replace the productivity and associated jobs that are lost when water is removed from the consumptive pool.

Structural adjustment is complex and requires long-term commitment, investment and a focus on championing regionalisation. The NFF considers structural adjustment as part of the broader regionalisation agenda.

Adaptive management

There is scope for adaptive management principles to be more explicit and expanded in recognition of the complexity of water reform and the need for flexible and iterative processes that enables a culture of learning and improvement. Projects and programs should adapt to changes in the operating environment (such as large shifts in water prices), information on environmental condition, or evidence of cumulative or regional socioeconomic impacts that emerge over time.

Environmental management

Overall, the NWI has served environmental water reform well and major progress has been made to recognise the environment's share of water which have largely been integrated within state water planning frameworks. Although there are still improvements to be made, a large section of work is now complete.

The next iteration of the NWI must be developed to address the following challenges:

- The likely scenario of a declining shared water resource; and
- The need to maximise both cultural, environmental and productive outcomes in a future of declining water availability.

Governments must shift from solely focusing on achieving volumetric outcomes to maximising social, economic and environmental outcomes with existing water. It would be folly and detrimental to triple bottom line outcomes to do otherwise. Environmental management in the renewed NWI should focus on maximising these outcomes.

In respect of the Murray-Darling Basin, the NFF has a long-standing position to focus on enhancing environmental outcomes through complementary measures, or maximising environmental outcomes through non-flow measures. For example, better outcomes could be achieved by addressing 'non-flow' issues such as cold-water pollution and fish passage, controlling feral animals in key wetland and floodplain areas, tackling carp infestations, and improving land management in valued ecosystems.

The 2017 Productivity Commission National Water Reform report made several recommendations which have not yet been adopted in the NWI.

The NFF believes there is scope within the broader entitlement and water planning framework that allows dual-purpose outcomes to be considered in some form which should be considered by Governments. Significant work would be required to allow this to occur, but it is a potential outcome that could yield benefits for consumptive, environmental and cultural water users.

Best practice water pricing

Water pricing for rural services, including irrigation, is an ongoing challenge for stakeholders to deliver affordable, efficient infrastructure maintenance and cost-recovery for government water management services. Similarly, the supply of urban water services is also becoming increasingly challenging with a case for reform being made by Infrastructure Australia in its 2017 *Reforming Urban Water* report.

Concerns have also been raised about the calculation and apportionment of costs between water users and government. While providing for private interests including agriculture and critical human water needs, there are also costs associated, such as dam safety, that is a public good.

The calculation and apportionment of risk between water users and government, for example, in dam safety, could be re-examined in the next NWI. The rationale is that downstream population centres are the primary beneficiaries of safety structures rather than the productive users of water.

Renewing the NWI

The focus of the current NWI was the management and elevation of environmental water into the state planning frameworks. Now that these objectives have largely been met, the NWI will also need to shift to ensure future challenges can be addressed. The core principles underpinning water reform have not changed and should themselves guide development of a renewed NWI. Governments will continue to have an important role in driving water reform in Australia. Significant challenges ahead demand that governments reflect on their capacity to effect change in a manner that delivers the best possible outcomes for communities and consistent with the national interest.

List of recommendations

- **Governments assess the impact of cumulative water reform on the reliability and security of property rights and reflect outcomes in the NWI to ensure they are fit-for-purpose and sufficiently protect property rights.**
- **Governments commit ensure secure property rights are embedded within appropriate legislation.**
- **Government implement recommendation 3.1 (b) of the 2017 National Water Reform Inquiry that State and Territory Governments should ensure that water entitlement and planning arrangements explicitly incorporate extractive industries, including ensuring that entitlements for extractive industries are issued under the same framework that applies to other consumptive users.**
- **Governments ensure they have the appropriate governance and frameworks in place to acquire and integrate local knowledge into their decision-making processes.**
- **Governments ensure they have realistic timeframes that enable consultation, approvals processes, planning and implementation to be undertaken properly.**
- **The National Water Initiative clarify the principles of effective consultation processes.**
- **Governments commit to establishing a nationally consistent and interoperable water accounting registers.**

- **Revise the NWI to ensure the type of information publicly available in water registers are fit-for-purpose and do not threaten the privacy of water users or impact market integrity.**
- **Governments to include within the NWI, information required to be provided by governments when considering policy changes and other relevant decision-making processes. For example, this could include development of a ‘reliability impact statement’ — the impact on the reliability of water entitlements due to government policies, or alternatively a proper, rigorous cost-benefit analysis.**
- **Governments broaden the definition of third-party interests to clarify and the needs of the environment within paragraphs 58 (iv) and (v) of the National Water Initiative.**
- **Governments develop clearer processes to prevent, address and mitigate third-party impacts and environmental impacts caused by the water market.**
- **Governments should commit to reform the water market pending recommendations from ACCC Murray-Darling Basin water markets final report. NWI principles may need to be refined to address this.**
- **Governments recognise that structural adjustment in regional communities requires long-term commitment and investment.**
- **Governments align goals and principles of structural adjustment through a broader economic regionalisation agenda.**
- **Governments develop a robust assessment framework to assess and coordinate investment in regional Australia to support economic development.**
- **Under the NWI, clarify the principles of structural adjustment/economic development that will underpin long-term development of regional communities.**
- **Governments incorporate principles of adaptive management within the NWI and establish a workplan to ensure these principles are included in all areas of water resource management.**
- **Governments review the AS4747 standard to ensure it is fit-for-purpose and can be practically used to develop cost-effective meters.**
- **Governments move away from water recovery as a focus under the NWI.**
- **Governments, in drafting a renewed NWI, to focus on maximising social, economic and environmental outcomes using existing water.**
- **Governments action recommendations 5.1, 5.2, 5.3 and 5.6 of the 2017 Productivity Commission National Water Reform final report and ensure the**

renewed NWI aligns with these environmental principles.

- **Future approaches to water pricing should recognise that there are multiple benefits, including private and public, of water infrastructure that should be reflected in cost sharing arrangements.**
- **Governments commit to renewing the NWI consistent with the recommendations provided in this submission and promptly establish a workplan to deliver this outcome.**

1. Introduction

On matters related to water, the NFF is the only national body that brings a 100 per cent farm-focused viewpoint. We represent the interests of farmers that are affected by water management decisions including irrigators, riparian and floodplain landholders and stock and domestic users.

The NFF welcomes the opportunity to provide a submission to the Issues Paper released by the Productivity Commission in its 2020 inquiry into national water reform. The NFF recognises the importance of the NWI in providing an enduring framework to guide water reform in Australia.

Since its creation in 2004, the NWI has provided a valuable blueprint to advance water reform in Australia. In 2020, it is clear the NWI is outdated and must be renewed to reflect lessons from past and current reform, and to provide the foundations to address future challenges.

In the front of mind for the NFF are the twin future challenges of an extended Murray-Darling Basin Plan (Basin Plan) and developing northern Australia. Principles underpinning how an extended Basin Plan might look should commence in the near future to allow sufficient time for Commonwealth, State and Territory governments to develop a coherent workplan, particularly before the 2024 review of the Basin Plan.

While the NFF recognises this review extends beyond the Murray-Darling Basin, our collective involvement in the management of basin water resources offers valuable lessons to shape what a renewed NWI might look like. Since the 2017 review, severe drought conditions and significant milestones due under the Basin Plan have highlighted the complexity and difficulty of water management and water reform.

A renewed set of principles should be centred on communities, trust and integrity. Basin communities have been at the centre of significant water reform since the early 1990s and have seen vast social, economic and environmental changes driven by technological change, shifts in consumer demand, trade patterns, climate change, policy changes which, while producing significant economic benefit, have also left many behind who have been unable to keep pace. A number of reports, including the Basin Social and Economic Assessment report led by independent reviewer, Ms Robbie Sefton, highlights many of these problems.

Future challenges to water management in Australia will be accelerated by a changing climate (which are already being reflected in trends towards declining water availability in the basin) that demands a consistent and committed response from governments to ensure basin communities are well-placed to respond.

The NFF has not responded to each issue presented in the paper but has focused on areas where there is a clear need for reform against the objectives and scope of the inquiry.

Given the scope and timeframe for this inquiry, the NFF encourages the Productivity Commission to focus its efforts on identifying strategic areas where future reforms are desirable; areas that have been assessed as deficient; and present credible evidence to inform the national policy debate.

Renewing the NWI

It is clear there is a significant body of work ahead for Governments. Significant policy decisions to be made must be underpinned by robust science and in consultation with affected stakeholders and must be independent, respected and have the confidence of stakeholders. The role of independent and public institutions is a necessary component for this challenge.

2. Water resource management

2.1. Property rights

For irrigated agriculture and the broader water management framework, the establishment of secure property rights has been a cornerstone that has underpinned much of the progress achieved under the NWI. Well-designed, secure rights form the basis of:

- Water markets, and the trade of allocations and entitlements;
- Prudent investment in infrastructure that reflects the value of water; and
- Equitable recovery of water from the consumptive pool to environmental water holders.

A secure property rights regime is particularly important in circumstances, such as the Murray-Darling Basin, where the 'balance' between extraction and the environment is contested, or where the resource is fully allocated and the behaviours of some users may be seen as impinging on the rights of others to also use the resource.

Over the past two decades, significant water reform has occurred in the Basin, including the separation of water from land, the evolution and maturation of the water market, and various Commonwealth and state-based policies as required under the *Water Act 2007* and the Basin Plan.

It is clear that entitlement rights and security of property rights are not sufficiently considered in the context of the multiple policy changes or complementary processes, and much less clear whether changes are attributable to policy or climate. A significant contributor to this uncertainty is attributable to the water market which has shifted river operations in the Basin.

As noted in section 2.3 of this submission, the Australian Competition and Consumer Commission (ACCC) is currently reviewing the water market and its subsequent direction should be informed by the outcomes of this inquiry. Findings from this report should be reflected in the NWI framework to ensure property rights are adequately protected and third-party effects recognised and managed.

Secondly, the NFF notes that secure water property rights backed by a statutory water entitlement framework are not yet universal for all water users. The 2017 Productivity Commission National Water Reform report found that Western Australia and Northern Territory had not yet implemented comprehensive, perpetual entitlement frameworks. In Victoria, the Minister can permanently adjust property rights after a long-term water resource assessment. The NFF understands progress is being made in these jurisdictions, particularly the Northern Territory.

In northern Australia, water resources are still considered under-developed, and users have a perception that the risk to their historical access is low. This then means that there is low demand for Governments to create robust systems of property rights for water to protect farmers and the environment. Low demand for change should not, however, mean that Governments don't commit to implementing robust water entitlement frameworks that are unbundled from land. This will enable markets (even where these markets might be thin) to emerge as demand grows and set the foundation for trading as northern Australia is further developed.

Extractive Industries

The NFF notes the management of extractive industries under paragraph 34 of the NWI:

The Parties agree that there may be special circumstances facing the minerals and petroleum sectors that will need to be addressed by policies and measures beyond the scope of this Agreement. In this context, the Parties note that specific project proposals will be assessed according to environmental, economic and social considerations, and that factors specific to resource development projects, such as isolation, relatively short project duration, water quality issues, and obligations to remediate and offset impacts, may require specific management arrangements outside the scope of this Agreement.

The Productivity Commission's 2017 National Water Reform review recommended that *State and Territory Governments should ensure that water entitlement and planning arrangements explicitly incorporate extractive industries, including ensuring that entitlements for extractive industries are issued under the same framework that applies to other consumptive users (unless there is a compelling reason otherwise).*

More can be done to increase the transparency within which resource access to water is assessed and included in planning processes. Under a drying climate with greater variability in water inflows, there will likely be greater conflicts between competing land uses, especially between resources and agriculture, that will benefit from greater integration of water use from extractive industries into respective state planning frameworks that have clear and transparent rules for extraction consistent with the NWI framework. The current approach under the NWI leaves it exposed to criticisms that there are 'two sets of rules' — one for

farmers and the other for the resources industry which is further reinforced by having separate legislative Acts applying to this take.

Furthermore, the NFF's view is that all water uses or interception by extractive industries must be consistent with the NWI principles, including water planning and management. In providing for ecological and resource security outcomes, and protecting the water rights of all users, NWI consistent water planning must address the risks of aquifer depressurisation, water interception, falling water tables and contamination that may arise from mining and onshore gas activities.

Communities must be confident that extractive water use is not producing perverse outcomes, especially to groundwater resources. The potential scale of impact of extractive industries on communities warrants rigorous assessment of the water quality, water quantity and water access impacts in a clear framework underpinned by robust scientific information and monitoring. The NFF is of the view that extractive industries must be required to show no net decline in water quality and no net loss in water quantity for third parties (stock & domestic, irrigation, town water supplies) against benchmark conditions. Conditions of approval must include provisions to ensure that access to and use of the water resource is not compromised.

For community 'social license' and other water users' confidence in entitlements, clearer trigger points for a cessation of resource sector activity is required where unacceptable impacts on other water users are occurring. This is most transparently achieved when these uses are fully integrated into the water planning process. Evidence needs to be provided by the administering state that the alternative policies and measures under paragraph 34 of the NWI are delivering better water management outcomes than including such uses directly in the water planning framework. The NFF notes that while extractive industries have a greater risk on the integrity of a groundwater system, this applies to all groundwater users, including farmers.

Stock and domestic

Stock and domestic (S&D) access to water is a basic landholder right that should be reflected in the NWI. Access to S&D water should be accounted for within the water planning framework and is already largely considered in current state legislative and water planning regimes.

The NFF notes that S&D access to water varies between states and systems. For example, Queensland S&D access can occur from multiple sources, including the Great Artesian Basin, riparian water access or storages filled by runoff and is not currently metered. In Victoria, S&D water can be derived from regulated and unregulated river sources and metered for take above 2 ML. The challenge of measuring and metering is therefore different and can be difficult to cost-effectively achieve.

Ultimately, water users should have confidence that water take from all sources, including S&D water, is accounted for in the broader water planning process and conducive to long-term sustainability of the resource.

More unmeasured systems, where there is a risk of overuse, non-S&D or critical human needs access to water should be managed using targeted regulation

ensure the available resource is protected and sustainably managed. New water take should be planned for and monitored so there is no risk of overuse, and authorisation for takes for domestic purposes should not be expanded if they will impact water security of other users. This should be managed on a catchment basis.

The NFF view remains that all jurisdictions should ensure there is a robust framework that recognises a clear hierarchy of water access entitlements that includes S&D, urban water supplies, irrigation, intensive agriculture (feedlots), tourism and extractive water use within the water resource planning framework, including extraction limits.

Recommendation:

- **Governments assess the impact of cumulative water reform on the reliability and security of property rights and reflect outcomes in the NWI to ensure they are fit-for-purpose and sufficiently protect property rights.**
- **Governments commit ensure secure property rights are embedded within appropriate legislation.**
- **Government implement recommendation 3.1 (b) of the 2017 National Water Reform Inquiry that State and Territory Governments should ensure that water entitlement and planning arrangements explicitly incorporate extractive industries, including ensuring that entitlements for extractive industries are issued under the same framework that applies to other consumptive users.**

2.2. Water planning

Ultimately, water plans should provide water users and communities confidence by providing a clear framework of when and how water will be available for consumptive use, the environment and cultural needs, under what circumstances, and ensure they deliver long-term sustainable outcomes without diminishing property rights.

The NFF agrees with paragraph 36 of the NWI that:

Recognising that settling the trade-offs between competing outcomes for water systems will involve judgements informed by best available science, socio-economic analysis and community input, statutory water plans will be prepared for surface water and groundwater management units in which entitlements are issued (subject to paragraph 38). Water planning is an important mechanism to assist governments and the community to determine water management and allocation decisions to meet productive, environmental and social objectives.

Confidence in the water planning processes is fundamental to ensure best outcomes and compliance. They are underpinned by transparency in the process and decision-making, genuine and effective stakeholder engagement, and the ability to make informed decisions consistent with robust science. Water users need to know what and how water plans will impact themselves and the costs and benefits of the plan for them and the community. Planning to date has failed to make transparent trade-offs between costs to farmers and environmental benefits.

Consultation processes

Under paragraph 95 the NWI:

States and Territories agree to ensure open and timely consultation with all stakeholders in relation to:

- i) pathways for returning overdrawn surface and groundwater systems to environmentally sustainable extraction levels (paragraphs 41 to 45 refer);*
- ii) the periodic review of water plans (paragraph 398 refers); and*
- iii) other significant decisions that may affect the security of water access entitlements or the sustainability of water use.*

In the context of the Murray-Darling Basin, failures in consultation have been extensively reflected in the Productivity Commission five-yearly assessment of the implementation of the Basin Plan and anecdotally across basin communities. While significant progress has been made in jurisdictions to improve consultation processes, many elements of the Basin Plan are complex, interdependent and contentious (particularly the implementation of the supply measures) and require committed and extensive consultation with communities, and other relevant stakeholders, over a reasonable timeframe.

The NFF recognises the complexity of water reform processes, and time and resourcing constraints in government departments. However, the trade-off of poor consultation is often the erosion of trust and confidence from communities which has long-term implications for achieving further reform processes. Governments should ensure they have realistic timeframes that enable, in particular, consultation, approvals processes, planning and implementation to be undertaken properly. It is important to recognise that consultation is unlikely to give local agreement, especially where there are trade-offs; however, there should be a process for governments to reach consensus.

The NFF notes the importance of building relationships during consultation. For complex projects and processes, communities should have an accessible and clear point of contact should they have concerns and feel empowered in the process by having the capacity to influence and change outcomes. The NFF notes the Productivity Commission's 'Areas for improving community consultation on supply measures'¹ provides a useful set of principles for consultation processes.

Governments should recognise that local stakeholders, including irrigation farmers, environmental water holders and Traditional Owners have extensive knowledge in water management and the local landscape which should be central to their decisions making processes. Thus, the ability for Governments to successfully build relationships and establish effective consultation processes to capture this knowledge will affect how successful, and timely, they are in implementing reform.

The NFF also notes the Department of the Prime Minister and Cabinet Office of Best Practice Regulation Guidance Note² which provides a useful set of principles for the Productivity Commission to consider. The document notes that consultation processes should be:

- continuous

¹ See page 137, Productivity Commission 2018, Murray-Darling Basin Plan: Five-year assessment, Final Report no. 90, Canberra

² <https://www.pmc.gov.au/sites/default/files/publications/best-practice-consultation.pdf>

- broad-based
- accessible
- not burdensome
- transparent
- consistent and flexible
- subject to evaluation and review
- not rushed
- a means rather than an end

In NFF's view, a water planning horizon should be determined to ensure that is sufficient time to provide the right balance between certainty for investment and ensuring that plans incorporate best available knowledge about resource availability.

Recommendations:

- **Governments ensure they have the appropriate governance and frameworks in place to acquire and integrate local knowledge into their decision-making processes.**
- **Governments ensure they have realistic timeframes that enable consultation, approvals processes, planning and implementation to be undertaken properly.**
- **The National Water Initiative clarify the principles of effective consultation processes.**

Transparency

Transparency is strongly emphasised in the NWI. Transparency and provision of necessary information is fundamental to inform sound decision-making. The view of the NFF is that the transparency and provision of information have failed on multiple levels under the implementation of the Basin Plan. Water users must be informed to adequately assess risks and benefits and make a meaningful contribution to the decision-making process.

Various reports in the past few years have reflected the lack of transparency in the Murray-Darling Basin in the following areas:

- water accounting;
- water trading; and
- government decision-making processes.

One aspect are state water registers. Since 2004, a nationally compatible and consistent water register has still not yet been developed, although there have been several attempts to do so in the past. The water resource accounting paragraph of the NWI and guidelines under Schedule F remains relevant for governments to action. States have made good progress developing state-based water registers, containing relevant details of water entitlements, although they vary in maturity and consistency.

One of the key flaws is the poor interoperability of water registers. The current state of water registers reflects the evolution of water policies between states due to the federated structure of water management in Australia. This has resulted in water registers that are inconsistent, have different terminologies and

complex. There is significant benefit in developing a set of standards for water registers that allow for meaningful comparison between state water uses.

The registers are complex and not suitable for access by the general public, nor even some water users, and do not allow water users to understand the landscape of the water system under which they operate and undermines confidence in the integrity of entitlements and the water market. The ACCC Water Markets Inquiry interim report, and the Interim Inspector-General of the Murray-Darling Basin found similar flaws.

Ideally, water users should be able to access reliable information about source, location, use, water availability, and who owns the water in a particular stretch through a system harmonised across jurisdictions. This applies to both environmental water licences and licences from extractive industries. The NFF recommends that the guidelines for registers and type of information presented should be reviewed in the context of an evolving water market to ensure there are no perverse outcomes that could threaten privacy and impact water market integrity.

Transparency in decision-making is also fundamental for water users to have confidence in governments and government processes. Failures have been apparent in a number of key processes in the Murray-Darling Basin, for example the development of water resource plans and the recent decision to embargo water in February 2020 that led to an independent assessment of first flush flows in the northern basin.

Given the complexity of water reform processes, it is incumbent on governments to provide the necessary information to ensure water users can understand their obligations and make informed decisions. This involves understanding the following in particular, for decisions made by government as appropriate:

- risks to access and reliability of entitlements from policy decisions;
- potential impacts to water allocation;
- ensuring sound decision making in key decision points;
- cost-benefit analyses (where appropriate);
- social and economic impacts; and
- where appropriate, counterfactuals to assess the to which change is due to policy or natural trends which has implications for risk management.

Water users must be able to understand the impact(s) to the reliability of their entitlement due to government policy decisions, and other relevant impacts. Governments should have a framework developed to provide information that are deemed important to irrigation farmers and communities so water users can assess risk and enter into consultation processes in good faith.

Recommendations:

- **Governments commit to establishing a nationally consistent and interoperable water accounting registers.**
- **Revise the NWI to ensure the type of information publicly available in water registers are fit-for-purpose and do not threaten the privacy of water users or impact market integrity.**

- **Governments to include within the NWI, information required to be provided by governments when considering policy changes and other relevant decision-making processes. For example, this could include development of a ‘reliability impact statement’ — the impact on the reliability of water entitlements due to government policies, or alternatively a proper, rigorous cost-benefit analysis.**

Risk assignment

The NFF considers the risk assignment framework from paragraphs 46 to 51 of the NWI largely sound in principle and remains relevant to future decision making. However, there are areas that could be improved to ensure water users and government have a complete understanding of risks associated with government decision-making.

The predominant concerns for water users are the reliability and security of their water licences. The evolution of the market and other policy decisions that confer risks onto existing water users have not yet been fully explored nor quantified.

In particular, paragraph 46 notes that:

The following risk assignment framework is intended to apply to any future reductions in the availability of water for consumptive use, that are additional to those identified for the purpose of addressing known overallocation and/or overuse in accordance with pathways agreed under the provisions in paragraphs 41 to 45 above.

The NFF notes that some states have opted to pursue their own risk assessment framework via paragraph 51 of the NWI, including Victoria. For states that have not, there appears to be little measuring, monitoring and reporting of the policy implications that may have an impact on reductions in the availability of water for consumptive use, such that paragraph 49 of the NWI is therefore arbitrary and unable to be applied. The lack of knowledge infrastructure required to assess these claims means that, in effect, the impact of policies on the availability of water for consumptive use is inadvertently borne by the water user.

Recommendation:

- **The review should highlight the need for improved supporting architecture to improve the delivery of the principles of the risk assignment framework.**

2.3. Water market

The NFF notes the ACCC inquiry into the Murray-Darling Basin water market and refers the Productivity Commission to their interim report. However, the NFF makes the following observations about the water market as it relates to the NWI:

- The water market has largely evolved as originally envisaged to provide a mechanism to allocate scarce resources;
- The principle of water moving to the ‘higher value use’ is simplistic and inconsistent with the objective of long-term sustainable management of water resources in the Murray-Darling Basin;
- Governments should recognise that water markets are only a means to an end and not a panacea to resolve deep and complex water resource issues;

- The water market has evolved to the extent that it requires greater regulatory and governance frameworks to underpin its integrity for all water users across the basin, noting findings in the interim ACCC report;
- Paragraphs 58-63 in the NWI addressing the water market should be re-focused, not to facilitate trade, but to ensure the water market is consistent to the long-term vision of the Murray-Darling Basin that optimises social, economic, and environmental outcomes;
- Paragraphs 58 (iv) and (v) pertaining to environmental protections and third-party interests should receive a higher focus and have clear processes to address concerns that have or may arise. Markets cannot be relied upon to deliver equitable outcomes. There are trade-offs between efficiency and equity and should be considered in the market regulatory framework;
- Environmental externalities should be incorporated into the broader market framework; and
- The NFF is concerned that continued evolution the water market will exacerbate inherent issues and urges immediate and comprehensive reform pending the release of the ACCC water markets inquiry final report.

Recommendations:

- **Governments broaden the definition of third-party interests to clarify and the needs of the environment within paragraphs 58 (iv) an (v) of the National Water Initiative.**
- **Governments develop clearer processes to prevent, address and mitigate third-party impacts and environmental impacts caused by the water market.**
- **Governments should commit to reform the water market pending recommendations from ACCC Murray-Darling Basin water markets final report. NWI principles may need to be refined to address this.**

2.4. Structural Adjustment

Structural adjustment is an important consideration to account for the ongoing impacts of water reform. It is most pertinent for those in established communities subject to water reform processes. Structural adjustment is considered in various sections of the NWI, notably under paragraph 97:

97. The Parties agree to address significant adjustment issues affecting water access entitlement holders and communities that may arise from reductions in water availability as a result of implementing the reforms proposed in this Agreement.

i) States and Territories will consult with affected water users, communities and associated industry on possible appropriate responses to address these impacts, taking into account factors including:

a) possible trade-offs between higher reliability and lower absolute amounts of water;

b) the fact that water users have benefited from using the resource in the past;

c) the scale of the changes sought and the speed with which they are to be implemented (including consideration of previous changes in water availability);

and

d) the risk assignment framework referred to in paragraphs 46 to 51.

ii) The Commonwealth Government commits itself to discussing with signatories to this Agreement assistance to affected regions on a case by case basis (including set up costs), noting that it reserves the right to initiate projects on its own behalf

It is also noted in paragraph 60 (vi) under water markets and trading. Government commitment to structural adjustment is reflected in the Basin Plan and has long been accepted as necessary to ensure the viability of irrigation districts and communities. However, there is little evidence to suggest that specific assistance has been effective which, to date, has come in the form of grants. There has been little analysis and evaluation of the effectiveness of structural adjustment programs, including the MDB Regional Economic Diversification fund or the Strengthening Basin Communities program, and therefore difficult to determine their effectiveness or where it could be improved. The Productivity Commission five-yearly assessment found that assistance was not targeted to those areas considered most vulnerable to the Basin Plan, and some projects considered to provide community assistance have not done so.

Structural changes to communities reliant on water cannot simply be offset through grants programs. Adjustment measures generally do not replace the productivity and associated jobs that are lost when water is removed from the consumptive pool. Some social and economic impacts have arguably been mitigated through infrastructure projects, but many have not and there is no clear framework for government to do so. The Productivity Commission five-year assessment of the Basin Plan recommended that:

Recommendation 3.3

If provided, the Australian Government should target any further assistance to communities where substantial adverse impacts arising from water recovery to date or any future recovery program have been identified. This should:

- have clear objectives and selection criteria*
- be subject to monitoring and evaluation.*

Any support for regional development should align with the Productivity Commission's strategies for transition and development, set out in its report on Transitioning Regional Economies.

There has been a longstanding agenda to support and revitalise regional communities by various Australian governments which has been incredibly complex and requires long-term commitment, investment and a focus on championing regionalisation. The NFF considers structural adjustment as part of the broader regionalisation agenda. Current measures of offsetting impacts of structural change in the Murray-Darling Basin are narrowly focused and unlikely to be meaningful in the long-term.

The NFF's 2030 Roadmap and recent 'Get Australia Growing' agenda for economic recovery post COVID-19 focuses on championing regionalisation, which could leverage the existing Federal Regional Deals Program. In this context, the NFF has proposed:

- engendering closer strategic collaboration between local, state and federal governments and the private sector;
- embedding regional development priorities into local & environmental planning processes;
- leveraging existing initiatives, such as the Inland Rail and NSW's Special Activation Precincts and Renewable Energy Zones; and
- having an explicit assessment framework for the identification of regional opportunities, as per the 2017 Productivity Commission recommendations on regional economies.

In the context of the Murray-Darling Basin, there does not appear to be performance indicators available to assess social and economic impacts, nor a framework to support economic development of communities, not least of which, affected communities. The Independent Assessment of Basin Social and Economic conditions led by Ms Robbie Sefton has contributed to this task.

In a future scenario likely to be affected by declining water availability, a clear framework needs to be developed to support revitalisation of regional economies that goes beyond simple market forces and pricing determinations. For example, the Australian Energy Market Operator (AEMO) developed an Integrated System Plan (ISP) intended to provide an actionable roadmap for eastern Australia's power system to optimise consumer benefits and deliver low-cost, secure and reliable energy. It has a planning horizon for at least 20 years.

Water is a key input for regional communities, as is electricity, road infrastructure and telecommunications. A similar long-term term could be developed in respect of water infrastructure in Australia and should be considered as part of economic revitalisation of communities.

Recommendations:

- **Governments recognise that structural adjustment in regional communities requires long-term commitment and investment.**
- **Governments align goals and principles of structural adjustment through a broader economic regionalisation agenda.**
- **Governments develop a robust assessment framework to assess and coordinate investment in regional Australia to support economic development.**
- **Under the NWI, clarify the principles of structural adjustment/economic development that will underpin long-term development of regional communities.**

2.5. Adaptive management

As Australia moves to expand northern Australia, address uncertainties in water availability due to climate change and implement the Basin Plan, water planning in these circumstances must be fit-for-purpose and adaptive to incorporate new knowledge and deliver better outcomes.

The NWI refers to adaptive management in paragraph 25 (iv):

provide for adaptive management of surface and groundwater systems in order to meet productive, environmental and other public benefit outcomes;

Adaptive management is an important principle under the Basin Plan. Currently, implementation of the Basin Plan is slow and there is little evidence to suggest that new knowledge, despite the number of reports into the Basin, is being incorporated into the implementation of the Basin Plan. This has led to stakeholders feeling disconnected from the process and trust being undermined.

There is scope for adaptive management principles to be more explicit and expanded in recognition of the complexity of water reform and the need for flexible and iterative processes that enables a culture of learning and improvement. The NFF notes the Murray-Darling Basin Authority 2017 evaluation of the Basin Plan Adaptive Management Framework. The report provided useful

recommendations to incorporate adaptive management principles into the broader implementation framework.

Projects and programs should also adapt to changes in the operating environment (such as large shifts in water prices), information on environmental condition, or evidence of cumulative or regional socioeconomic impacts that emerge over time. Explicit program implementation review points should be set out in advance, along with mechanisms for adapting the program in response to these reviews.

The Productivity Commission five-yearly assessment also found that:

Key details for the implementation of Water Resource Plans have not yet been agreed including the:

- *requirements for annual compliance reporting, risking unnecessary compliance costs*
- *process for updating plans, risking an amendment process that inhibits adaptive management.*

Adaptive management should be underpinned by a robust monitoring, evaluation and reporting (MER) framework that is transparent, and clear processes describing how this occurs to ensure adaptive management is not inhibited by bureaucratic inertia.

Recommendation:

- **Governments incorporate principles of adaptive management within the NWI and establish a workplan to ensure these principles are included in all areas of water resource management.**

2.6. Metering

Paragraph 88 requires that:

Recognising that information available from metering needs to be practical, credible and reliable, the Parties agree to develop by 2006 and apply by 2007:

- i) a national meter specification;*
- ii) national meter standards specifying the installation of meters in conjunction with the meter specification; and*
- iii) national standards for ancillary data collection systems associated with meters.*

The NFF supports metering of water use. It is important, however, that in seeking to deliver effective transparency and accountability that the requirements placed on water users are fair, cost effective and proportionate to the risk of non-compliance in a catchment.

The current National Water Meter Standards (NWMS) requires that meters for non-urban water supply complies with the AS4747 standard. AS4747 provides information such as minimum technical requirements, installation and commissioning requirements, and in-serve compliance, for closed conduit and open channel water meters.

However, a major concern for irrigators is the implementation and application of standards to metering. In Queensland, the size of the metering required under AS4747 makes it difficult for manufacturers to develop patent approved meters and is therefore difficult for them meet the requirements under the standard.

Metering should be cost-effective and realistic while maintaining a high confidence in accuracy.

Recommendation:

- **Governments review the AS4747 standard to ensure it is fit-for-purpose and can be practically used to develop cost-effective meters.**

2.7. Environmental management

Overall, the NWI has served environmental water reform well and major progress has been made to recognise the environment's share of water which has largely been integrated within state water planning frameworks. Although there are still improvements to be made, a large section of work is now complete.

The 2004 NWI approach to environmental was developed with the objective of returning historically overallocated and overused surface and groundwater systems to environmentally-sustainable levels of extraction; and in recognition of the need to establish effective and efficient management and institutional arrangements to achieve environmental objectives and other public benefit outcomes.

In the current context, these objectives are largely complete and must be renewed to address future challenges. The next iteration of the NWI must be developed to address the following challenges:

- The likely scenario of a declining shared water resource; and
- The need to maximise both cultural, environmental and productive outcomes in a future of declining water availability.

The NFF recognises that the active management of an environmental water portfolio is still a relatively new endeavour for Governments, and continuous improvement has been a focus for agencies such as the Commonwealth Environmental Water Holder, and state-based equivalent entities. The NFF acknowledges the considerable good will that exists for collaboration between parties with responsibilities for the different components of the management of environmental water and should be celebrated as such.

Governments must shift from solely focusing on achieving volumetric outcomes to maximising social, economic and environmental outcomes with existing water. It would be folly and detrimental to triple bottom line outcomes to do otherwise. Environmental management in the renewed NWI should focus on maximising these outcomes.

In respect of the Murray-Darling Basin, the NFF has a long-standing position to focus on enhancing environmental outcomes through complementary measures, or maximising environmental outcomes through non-flow measures. For example, better outcomes could be achieved by addressing 'non-flow' issues such as cold-water pollution and fish passage, controlling feral animals in key wetland and floodplain areas, tackling carp infestations, and improving land management in valued ecosystems.

The 2017 Productivity Commission National Water Reform report focused on three areas that remain relevant today:

1. Increasing the focus on outcomes by integrating the management of environmental water with waterway management.
2. Establishing best practice governance arrangements to maintain the independence of decision makers, streamline decision-making processes and ensure decisions are made at the right level.
3. Improving monitoring, evaluation and reporting to build community confidence, ensure accountability and inform adaptive management.

Chapter 5 of the report made a number of relevant recommendations, including:

Recommendation 5.1

Australian, State and Territory Governments should ensure that their policy frameworks provide for the efficient and effective use of environmental water to maximise environmental outcomes and, where possible, provide additional community outcomes relating to water quality, Indigenous values, recreation and economic benefits. Australian, State and Territory Governments should enhance the National Water Initiative to align with this recommendation.

Recommendation 5.2

State and Territory Governments should ensure the management of environmental water is integrated with complementary waterway management at the local level.

To achieve this:

- a. *State and Territory Governments should ensure that consistent management objectives govern the use of environmental water and complementary waterway management activities*
- b. *where possible, one planning process should be used to set objectives for both activities but, if not, State and Territory Governments should ensure planning at the local level is aligned and coordinated. Planning processes should also provide explicitly for other public benefit outcomes where these are compatible with environmental outcomes.*

Australian, State and Territory Governments should enhance the National Water Initiative to align with recommendations 5.2 (a) and 5.2 (b).

Recommendation 5.3

Where governments own significant environmental water that can be actively managed, they should ensure that decisions on the use of this water are made by independent bodies at arm's length from government.

The Australian and New South Wales Governments should review current governance arrangements to ensure that held environmental water and environmental contingency allowances are managed:

- a. *independently of government departments and political direction*
- b. *by statutory office holders with an appropriate range of expertise.*

Australian, State and Territory Governments should enhance the National Water Initiative to align with this recommendation.

Recommendation 5.6

Australian, State and Territory Governments should improve monitoring, evaluation, auditing and reporting to demonstrate the benefit of allocating water to the environment, build public trust in its management, keep managers accountable and make better use of environmental water over time.

Priorities are:

- a. *Australian, State and Territory Governments should increase their focus on monitoring environmental and other public benefit outcomes — not just water provision — where additional effort would be commensurate with the risk to, and value of, those outcomes*

- b. *monitoring and evaluation should involve collaborative and complementary partnerships, consistent approaches that enable the synthesis of outcomes across different temporal and spatial scales, and long-term investment. In the Murray-Darling Basin, governments should develop a strategy to coordinate monitoring and evaluation of the outcomes of environmental water provision, both planned and held*
- c. *all managers of environmental water should publicly report on outcomes that are not achieved, in addition to those that are, and the reasons why*
- d. *to improve transparency, Australian, State and Territory Governments should establish arrangements for independent auditing (at least triennially) of environmental water outcomes and supporting management arrangements*
- e. *managers of held environmental water should use the results of monitoring, evaluation and research to improve water use as part of an adaptive management cycle. To achieve this, responsibility for adaptive management should be clearly allocated and adequately resourced.*

Australian, State and Territory Governments should enhance the National Water Initiative to align with recommendation 5.6 (e).

The NFF's 2017 submission also provided a list of principles for environmental water planning and management arrangements that remain relevant for a renewed NWI:

- Administrative efficiency of the institutional structures that 'own' held environmental water portfolios. While consolidation of ownership lends itself to administrative efficiency, one water holder is not necessarily the solution.
- Clearly articulated 5-10-year Basin-wide environmental for connected water resources areas
- Clearly articulated 5-10-year catchment outcomes, and annual watering priorities that contribute to achieving Basin-wide outcomes. Catchment scale planning should be devolved as much as possible. The development and implementation of Water Resource Plans and integration with regional natural resource management approaches are logical mechanisms to achieve this.
- Water delivery arrangements that recognise that held environmental water is one of many 'customers' of a water service provider. Service providers must operate within recognised constraints to delivery.
- Integrated management of *all* water dedicated to the environment, regardless of who owns it and regardless of its form (i.e. held or planned water). In NFF's view, management through the WRP process at a catchment scale most supports integrated management.
- Integrated management of important environmental assets which recognise that the volume and timing of watering events is only part of the solution and that non-flow efforts may also play an important role. In NFF's view, management at a catchment scale most supports integrated management and the incorporation of local knowledge and expertise.

The NFF also notes that broader changes in environmental management occurring in Australia that could have implications for environmental management under the NWI. The NFF is actively involved in the current statutory review of the *Environment Protection and Biodiversity Conservation Act 1999* whose interim report is now publicly available. One key outcome that the NFF has been advocating for is the use of market-based instruments to deliver environmental outcomes,

representing a shift from a command-and-control approach to one that enables and empowers active management.

The NFF clarifies that it is not suggesting moving away from the existing approach to environmental management but raises this as an area that could complement existing regimes.

Currently, the NFF is working on the delivery of the Federal Government's Agriculture Stewardship Package. The NFF is involved in the \$4 million Australian Farm Biodiversity Scheme Trial. The overall objectives identified for the Australian Farm Biodiversity Certification Scheme Trial include:

- Integrate productivity, sustainability and biodiversity on Australian farms to provide lasting benefits to farmers and the community.
- Ensure Australian farmers can showcase best practice sustainability/biodiversity management of natural resources – and ensure these actions are recognisable by the community and other farmers.

The NFF notes this work and broader work through reforms to the EPBC Act can align with complementary measures being discussed through the National Water Initiative.

In Australia, farmers manage over 50 per cent of the landscape. However, there is little recognition of the social and environmental public good benefits provided by farmers at their expense. The NFF's work seeks to address this problem. Similarly, many farmers within the Murray-Darling Basin provide dual outcomes — a productive outcome for their businesses and environmental outcomes — some farms contain wetlands and other habitat crucial for threatened species and overall biodiversity.

The NFF believes there is scope within the broader entitlement and water planning framework that allows dual-purpose outcomes to be considered in some form which should be considered by Governments. Significant work would be required to allow this to occur, but it is a potential outcome that could yield benefits for consumptive, environmental and cultural water users.

Recommendations:

- **Governments move away from water recovery as a focus under the NWI.**
- **Governments, in drafting a renewed NWI, to focus on maximising social, economic and environmental outcomes using existing water.**
- **Governments action recommendations 5.1, 5.2, 5.3 and 5.6 of the 2017 Productivity Commission National Water Reform final report and ensure the renewed NWI aligns with these environmental principles.**
- **Governments consider the efficacy of water entitlement and water planning frameworks to deliver dual outcomes in the Murray-Darling Basin.**

3. Water services

3.1. Best Practice water pricing

Under the NWI, governments were to implement water pricing and institutional arrangements which:

- *promote economically efficient and sustainable use of water resources, water infrastructure assets, and government resources devoted to the management of water*
- *ensure sufficient revenue streams to allow efficient delivery of the required services*
- *give effect to the principles of user-pays and achieve pricing transparency in respect of water storage and delivery in irrigation systems and cost recovery for water planning and management’.*

Water pricing for rural services, including irrigation, is an ongoing challenge for stakeholders to deliver affordable, efficient infrastructure maintenance and cost-recovery for government water management services. Similarly, the supply of urban water services is also becoming increasingly challenging with a case for reform being made by Infrastructure Australia in its 2017 *Reforming Urban Water* report.

In Queensland for example, upper, and even lower bound pricing, is placing considerable pressure on irrigation businesses in the context of other rising costs, including electricity, and supplying customers who do not pay the full cost of production such as environmental costs.

Irrigation infrastructure typically has multiplier effects throughout a community by supporting agricultural production and subsequent employment it offers. Given the significant social and economic benefits presented by irrigation, the NFF believes this should be better considered in the cost-benefit analysis of irrigation infrastructure.

Concerns have also been raised about the calculation and apportionment of costs between water users and government. While providing for private interests including agriculture and critical human water needs, there are also costs associated, such as dam safety, that is a public good.

The calculation and apportionment of risk between water users and government, for example, in dam safety, could be re-examined in the next NWI. The rationale is that downstream population centres are the primary beneficiaries of safety structures rather than the productive users of water.

Recommendation

- **Future approaches to water pricing should recognise that there are multiple benefits, including private and public, of water infrastructure that should be reflected in cost sharing arrangements.**

4. Renewing the NWI

It is clear there is a significant body of work ahead for Governments. Significant policy decisions to be made must be underpinned by robust science and in consultation with affected stakeholders and must be independent, respected and have the confidence of stakeholders. The role of independent and public institutions is a necessary component for this challenge.

In particular, the implementation of the Murray-Darling Basin Plan has revealed the importance of consultation and trust in driving reform, and the consequence of what may occur in its absence.

However, it should be noted that the final report of this inquiry will be one of many reports that will be considered by the Commonwealth, State and Territory Water Ministers. In the Murray-Darling Basin, for example, there appears to be a lack of will and commitment to action recommendations from the significant number of reviews that have been undertaken, notably the Productivity Commission *five-year review of the implementation of the Murray-Darling Basin Plan*. There are also recommendations from the 2017 National Water Reform that have yet to be implemented. Governments must commit to addressing this.

Australia is recognised as a world leader in water policy and management. The reason for this is our decades old commitment to developing and implementing water reforms that enable us to ensure that our water resources can deliver the social, economic and environmental outcomes that the community desires.

There is no doubt that there is reform fatigue, particularly in the Murray-Darling Basin. However, what this submission highlights are that a new approach is needed to progress unfinished business that is centred on communities whose lives will be materially impacted by policy decisions.

The need for the NWI arose from the growing frustration by stakeholders of the slow pace of the implementation of water reforms agreed under National Competition Policy, and a lack of confidence in the way NCP principles were being interpreted by jurisdictions. The NWI, and initially the funding that supported implementation, provided the impetus for the states to deliver reforms that were either politically difficult or where there was administrative inertia.

The focus of the current NWI was the management and elevation of environmental water into the state planning frameworks. Now that these objectives have largely been met, the NWI will also need to shift to ensure future challenges can be addressed. The core principles underpinning water reform have not changed and should themselves guide development of a renewed NWI.

In the absence of a contemporary agreed water reform framework, stakeholders can find it difficult to influence the direction of change. An agreed framework enables stakeholders to 'call out' governments that are acting in contrary to the agreed principles. Further to this, independent examination of the progress of reform of all jurisdictions provides stakeholders with the avenue to raise issues where progress is frustrating and identify challenges that need to be addressed.

Governments will continue to have an important role in driving water reform in Australia. Significant challenges ahead demand that governments reflect on their capacity to effect change in a manner that delivers the best possible outcomes for communities and is consistent with the national interest.

Recommendation:

- **Governments commit to renewing the NWI consistent with the recommendations provided in this submission and promptly establish a workplan to deliver this outcome.**