



2 May 2024

Joanne Chong
Commissioner
Productivity Commission
Inquiry into National Water Reform 2024
4 National Circuit
Barton ACT 2600, Australia

Dear Commissioner Chong,

Re: Submission to the Productivity Commission National Water Reform 2024 Interim Report

The VFF offers the following comments to the Productivity Commission regarding its interim report on National Water Reform. The Productivity Commission attempts to outline a case for renewing the National Water Initiative (NWI), however the VFF does not believe a sufficient cost-benefit analysis has been provided and therefore the justification for renewal is unjustified.

The VFF notes that the Productivity Commission's April 2024 interim report is consistent with the 2021 report and references that report numerous times. The VFF has therefore also referred back to specific references in the 2021 report.

"The current advice for renewing the NWI is consistent with advice provided in the Productivity's Commission's 2021 National Water Reform Inquiry Report" (Interim Report, Pg 2)

The VFF does not support the increased bureaucracy and red tape proposed by a revised NWI. The VFF would support nationally agreed objectives.

A National Approach – strong on rhetoric, light on analysis

The National Water Reform 2021 report highlighted that:

"All governments need to collaborate to address major national challenges. In the case of water reform, the benefits of a national approach are demonstrable (WSAA, sub. 88). The design and implementation of the agreement have contributed to its status, credibility and overall success (Productivity Commission 2017b, p. 316). Similar benefits lie with renewed effort". (Pg 47)

The report is strong on rhetoric to support the value of the NWI but is devoid of any analysis. The case for a national approach is not made and ignores the roles of the Commonwealth and states set out in the Constitution.

The Productivity Commission report provides compelling evidence that the Commonwealth has ignored the NWI and the collaborative approach when politically convenient to do so. There are also numerous examples in the report where states have ignored the NWI.

“The process of developing and committing to the agreement will enable governments to demonstrate leadership on a national priority issue — the management of water in Australia”. (Pg 47)

This is nothing more than a fig leaf and very small one at that. History has shown that the NWI has confused roles and responsibilities and enabled significant Commonwealth overreach.

“Identification of key national priorities and a long-term policy agenda would help to depoliticise sensitive issues and create greater certainty for water users”. (Pg 47)

The Basin Plan and the polarisation that has resulted from it demonstrates that the NWI has failed. The VFF believes this statement is wrong.

If the Commonwealth is concerned about particular issues it has intervened outside the framework established by the NWI. For example, the Commonwealth’s intervention to ensure water resources were considered by coal seam gas projects.

“Sharing of effort, information and knowledge of best practice stand to contribute to more effective and efficient policy design”. (Pg 47)

The VFF believes this statement is true but has little to do with the NWI. A meeting of Ministers once per year and their bureaucrats (who are distant from the day to day realities of managing water resources and providing services) more frequently is unlikely to add any value to the work already being done by groups such as WSAA and the AWA.

“Inclusion of clear objectives and outcomes, coupled with commitment to independent, publicly reported monitoring of progress against reform commitments would:

- *promote transparency and accountability*
- *signal governments’ recognition of the importance of water reform*
- *establish a collectively endorsed policy platform to guide government consideration of investment opportunities to deliver high value reform outcomes.” (Pg 47)*

States have their own processes to manage and report on water. Often the obligations and processes are established in legislation. Creating a bureaucratic reporting arrangement adds little to transparency. Customers and local communities are much more interested in the performance of local services and the management of local issues.

An updated NWI would simply create more tasks for already costly bloated bureaucracies with little or no real contribution to water reform.

“Adoption of a principles-based rather than an overly prescriptive approach would provide jurisdictions with flexibility to ensure reforms suited local conditions” (Pg 47)

This is a truism, however, the over prescriptive Basin Plan, demonstrates how irrelevant the NWI is when bigger political forces are at play.

“Commitment to community engagement would signal an intent to involve all water users, communities and environmental managers in decisions, and engender better outcomes from inevitable trade-offs involved in reform”. (Pg 47)

Existing legislation in the Victorian Water Act and legislation of other jurisdictions creates numerous obligations to engage with communities. Given the current arrangement, it is unlikely that renewing the NWI would enhance current practices already undertaken by the states.

Nationally Agreed Objectives

The VFF would support having nationally agreed objectives based on the Productivity Commission advice below from 2021.

Full implementation of this agreement will result in:

A — a nationally-consistent planning, market and regulatory based system of **managing surface and groundwater resources** for rural, urban and remote use that:

- optimises economic, environmental, social and cultural outcomes
- enables entitlement holders, communities and the environment to contend with climate variability and adapt to a changing climate

by achieving the following:

1. clear, nationally-consistent statutory systems for secure water access entitlements
2. transparent, statutory-based water planning that:
 - (a) is risk based, matching the level of management with the level of water extraction and complexity in a system
 - (b) includes all sources of water, recognises connectivity between surface and groundwater and takes into account water quality
 - (c) clearly identifies the agreed environmental, cultural and other public benefit outcomes to be met through the water planning process
 - (d) includes agreed processes for water sharing and management during periods of water scarcity
 - (e) includes clear pathways to an agreed and improved balance between the environment and consumptive water use in overallocated or overused systems
 - (f) includes clear triggers and processes for reviewing the balance between water for the environment and consumptive use, such as in response to the effects of climate change
3. statutory water provisions for the environment which are integrated with complementary natural resource management to achieve agreed environmental outcomes and, where this does not compromise environmental outcomes, managed to also achieve cultural and social benefits
4. effective and enduring pathways to enable Aboriginal and Torres Strait Islander people to strengthen their influence in water planning and natural resource management that affect Country and access to water consistent with the 2020 National Agreement on Closing the Gap
5. the capacity to trade water between uses to promote efficiency within the physical, ecological and social constraints of water systems in an open, transparent water market with a level of regulation that is proportional to the maturity of market development
6. a fit-for-purpose system of water metering, measurement and accounting, coupled with effective compliance, that promotes water user and community confidence in the integrity of water management and water markets
7. clarity on the assignment of risk arising from future changes in the availability of water for the consumptive pool and how future adjustment should be managed.

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B — effective, efficient and equitable **provision of water services** that meets the needs of customers and communities in a changing climate by achieving the following:

1. access to safe and reliable drinking water, including in remote communities
2. clear objectives for the level and quality of water services which reflect customer preferences
3. in cities and towns:
 - (a) integrated planning and management of water supply, wastewater and stormwater services
 - (b) efficient water services that deliver outcomes, including urban amenity and liveability, in line with customer preferences and willingness to pay
4. cost-reflective pricing of water services (including water supply, wastewater disposal and stormwater management) wherever possible, with transparent funding support through community service obligation payments targeted at bridging the cost of providing safe and reliable drinking water and service affordability in regional and remote communities
5. institutional arrangements that:
 - (a) ensure the separation of policy setting, service delivery and regulation with clear roles for each
 - (b) incentivise water service providers to be efficient and innovative, and to deliver services in ways that are cost-effective and in the interests of their customers
6. processes that ensure that water infrastructure developments and major refurbishments are ecologically sustainable, economically viable and culturally responsive.

The VFF would be comfortable with the above objectives if this served some national need. However, underlying principles, criteria and processes should be left to the states to determine. Detailed interjurisdictional arrangements already exist where water resources are shared across state boundaries. An updated NWI has nothing to add to these detailed arrangements. The VFF does not support the increase of bureaucracy and red tape that would follow from a new National Water Initiative.

Governance Arrangement Benefits

The VFF does not support the Productivity Commission's advice about governance arrangements. Instead, we propose that the above objectives be considered and approved by the National Cabinet only. The National Cabinet could from time to time request the objectives to be reviewed and/or progress to be reported. There would be no need to establish a separate bureaucracy or detailed and costly reporting arrangements.

Environmental Outcomes

The VFF notes and strongly supports the advice that the focus should shift from megalitres of environmental water to environmental outcomes. The MDBA has made some useful progress on reporting on the pleasing environmental outcomes of the Living Murray Initiative. This progress needs to be built on as a priority to develop cost effective environmental monitoring methods and funding arrangements.

Current water reforms such as the Basin Plan, have only taken a very narrow view when considering waterway health, by only considering improving flows on a per megalitre basis. However, there are many other elements that relate to waterway health, such as riverbank vegetation, aquatic life, and water quality.

We know that increased flows down the Goulburn River in Victoria have negatively impacted the environment. This has seen the Victorian Minister reduce month release limits through the inter valley trade rule. It has become clear that the volumes of water proposed under the Basin Plan will not be possible and a greater focus on environmental outcomes is necessary.

Feedback

The VFF believes the Productivity Commission needed to adopt a more transparent process when receiving submissions. Many organisations spend countless hours analysing hundreds of pages of reports yet is unclear whether the Productivity Commission meaningful take on the information provided by those preparing a submission. The VFF suggest the Productivity Commission prepare a report summarising and responding to key points made by all of those who prepared submissions.