

## **Rural Water Use and the Environment: The Role of Market Mechanisms**

**To: The Productivity Commission**

**From: John Scanlon**

**Re: Written comments on Discussion draft**

Dear Rural Water Study team

Congratulations on your draft Report. It is a comprehensive body of work that collects and carefully analyses most of the relevant information and literature that is available regarding the Commission's terms of reference.

Australian Federal and state Governments have set a bold national water policy agenda through the National Water Initiative and within the Murray Darling Basin through The Living Murray First Step. Implementation is the key and this is where we appear to be experiencing some difficulty.

I would like to draw three issues to the attention of the Commission.

### **1. *Recent developments re The Living Murray First Step***

Several developments have taken place that may post date the finalization of the draft Report.

The Murray Darling Basin Ministerial Council (the Council) has received additional independent advice from several sources regarding the implementation of The Living Murray First Step, namely:

- the first report of the Independent Audit Group, which the Council has agreed to release and is available from the Office of the Murray Darling Basin Commission (MDB Commission);
- an independent consultant's report on the use of market options, including purchasing entity options, which the Council has agreed to release and is available from the Office of the MDB Commission; and
- an independent minority Commissioner's report, which draws upon both of these sources and is also available upon request.

The minority MDB Commissioner's report raised three issues, namely a funding shortfall, the purchase of water from willing sellers and managing surplus/unregulated flows. The funding shortfall to implement The Living Murray First Step within agreed timeframes was resolved as a direct result of the Commonwealth's additional investment of \$500 million. The surplus/unregulated flows issue was raised by Minister Maywald (South Australia) and dealt with by the Council at its last meeting – see below. Making progress with the purchase of water from willing sellers in all jurisdictions under The Living Murray First Step remains a live issue. South Australia has included the purchase of water from willing sellers in its package of measures presented to the Council, which

is available from the Office of the MDB Commission or the state Department. A media release was issued by Minister Maywald on the package.

## **2. *Managing Surplus or Unregulated Flows***

The draft Report makes reference to the six risks to shared water resources identified by the CSIRO. It does not yet mention the significant risk posed by the management of surplus/unregulated flows. The Independent Audit Group has stated that the potential impact of surplus/unregulated flow management (including for local environmental benefits) on the achievement of the overall objectives of The Living Murray First Step is the most significant risk it identified in its audit.

This issue was also addressed in the minority MDB Commissioner's report referred to above and was the subject of a prepared Statement made by Minister Maywald (South Australia) to the Council at its last meeting. Each of the Minister's recommendations was adopted by the Council at the meeting details of which can be obtained from the Office of the MDB Commission or the state Department.

## **3. *A review of the governance of the Murray Darling Basin Commission***

The governance of the MDB Commission has been the subject of comment for many years, including through the Report of the South Australian Select Committee on the Murray River in 2001, which received the unanimous endorsement of the South Australian Parliament.

The Federal Government, as a pre condition to investing an additional \$500 million in The Living Murray Initiative, has required the parties to the Agreement to "*undertake a review of the governance and financing of the Murray Darling Basin Commission....*" This is in addition to the review currently being carried out under the National Water Initiative and it is likely to have implications for the implementation of market mechanisms in the Murray Darling Basin.

Thank you for providing the opportunity to comment upon the draft Report and I look forward to seeing and reading the final publication.

**John Scanlon\***  
Commissioner  
Murray Darling Basin Commission  
*Personal views of the writer*

*\*Appointed by South Australia as Australia's first independent Commissioner in January 2006*