



02 February 2024

National Water Reform 2024
Productivity Commission
GPO Box 1428
Canberra ACT 2601

Dear Commissioner,

RE: National Water Reform 2024

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.

Background

The NFF thanks the Productivity Commission (PC) for the opportunity to provide comment to the Inquiry into National Water Reform. The National Water Initiative (NWI) was developed 20 years ago in 2004 and has been agreed to by all Australian Governments. The NWI is Australia's blueprint for national water reform as it outlines a clear framework and set of operating principles to underpin the sustainable management of national water resources. Under the NWI, the Governments committed to achieve the following:

- Prepare water plans with provisions for the environment.
- Achieve sustainable water use in over-allocated or stressed water systems.
- Introduce registers of water rights and standards for water accounting.
- Expand trade in water rights.
- Improve pricing for water storage and delivery.
- Better manage urban water demands.

The PC is required under legislative instrument to undertake regular assessment into progress by Australian Governments in achieving the objectives and outcomes of the NWI.



Previous inquiries into have identified significant progress by State and Territory Governments, however, it was recommended that the NWI be renewed to ensure it better account for changes in knowledge and technology and is best equipped to deal with contemporary issues including climate change and population growth. NFF have provided submissions to the prior 2020 Review process (these are attached below). Our recommendations to renew the NWI are robust and remain current. These submissions are available upon request and should be read in conjunction with this submission.

Submission

Environmentally Sustainable Levels of Extraction

Under the NWI, Governments agreed to ‘*complete the return of all currently overallocated or overused systems to environmentally sustainable levels of extraction*’. This objective can be considered achieved following the introduction and implementation of Sustainable Diversion Limits (SDLs) which establish the quantity of water that can be extracted and retained to underpin the health of the entire Murray-Darling Basin system.

Rebalancing Water Shares in the Context of Climate Change

The 2020 PC Draft Report contains concerning language around the need to ‘*rebalance*’ environmental and consumptive water shares for purposes of climate change adaptation is understood by the agriculture sector to involve taking water away from farmers and productive use. Equal emphasis and priority in the NWI must be placed into providing complementary measures and water-based solutions. Impacts must be shared amongst all water users irrespective of individual use volumes and must not discriminate against particular crop varieties and/or irrigation techniques – (as climate change is an indiscriminate problem that affects all stakeholder groups). Furthermore, the way SDLs and State Water Plans are constructed already take into account climate change impacts, we remain unaware of plans that do not. Where SDLs have not been achieved, there exists appropriate mechanisms in place through state-based planning.

Transparency and Provision of Information

Transparency and information provision have failed on multiple levels under the Implementation of the Basin Plan. This is clear as the purchasing of water entitlement parcels from NSW and VIC irrigators by Federal Government tender has failed to disclose the source, type, and/or volume of water purchased. This contradicts agreements amongst Governments to achieve ‘*pricing transparency in respect of water storage and delivery in irrigation systems and cost recovery for water planning and management*’. Withholding this information distorts and impacts the ability of the water market to function effectively in a time of growing uncertainty, as potential buyers and sellers are unable to determine the value of water and make informed decisions.



Given the complexity of water reform processes, it is imperative for Governments to provide necessary information to ensure water users can make informed management decisions. This must involve the publishing of analyses undertaken by State and Territory Governments pertaining to the socio-economic costs and benefits of most prospective water recovery options to support modified environmental and other public benefit outcomes as agreed by Governments in addition to water purchases information (by tender or other market-based mechanisms). Full accounting of transmission losses for all traded water must also be provided.

The publication of individual information as a consequence of resolved tenders runs significant risk of community unrest. Named individuals in especially smaller centres are at risk of targeting through this process. This level of transparency underpins perverse outcomes and is unhelpful.

Water Recovery

Where it is necessary to recover water to achieve modified environmental and other public benefit outcomes, under the NWI, Governments agreed to ensure water recovery measures are '*cost-effective and efficient*'. Significant progress in water recovery has been made, and we note that particularly in the Murray-Darling Basin, there is an under usage of water. The NFF recognises that an extension for SDLAM projects to December 2026 will provide additional time for Governments to deliver infrastructure projects to support modified environmental and other public benefit outcomes. It will also provide economic stimulus and investment into Basin communities. However, there are well-known difficulties regarding how Governments assess and approve SDLAM projects (delays), and Governments must undertake further work to streamline these processes to achieve outcomes in a timely manner.

Other potential options to recover water for the environment must respect the existing rights of water entitlement holders, and there should be no 'third party impacts' arising from these measures.

Indigenous Water

Indigenous water issues are complex and need to be carefully considered.

Additional Comments

Potential Revival of National Water Commission

Although a potential revival of the National Water Commission (NWC) has not been outlined in the Terms of Reference for this Inquiry, the NFF understands that this has been a reoccurring subject in stakeholder discussions and is a Federal Government election commitment. We have, therefore, provided brief comment on our position on this prospect.



Considering recommendations provided in the PC's 2020 Inquiry, the NFF recognises that a revival of the National Water Commission (NWC) could bring better coordination between Australian Governments. While the NFF have previously held the position that the NWC is an appropriate body to conduct oversight of the NWI and other matters, we do not support the re-establishment of the NWC for the following reasons:

- We remain confident that the PC remains a capable and well-resourced institutional body with the necessary governing arrangements to fulfill roles previously held by the NWC in undertaking regular assessments of progress on NWI implementation and reforms and periodic reviews of the implementation of the Murray-Darling Basin Plan.
- It is not clear what the additional benefits of creating a new and separate bureaucratic entity and the complexities attributed to its creation would provide.
- National water resources are already over-governed, creating a new and separate entity will add unnecessary bureaucratic complexity to the process.
- If there is a need for greater coordination, as a first step a regularly scheduled meeting of national water ministers could undertake much of any strategic requirement. This was a key recommendation in the 2020 PC Draft Report.

The NFF is not convinced, therefore, of the merits of reestablishing the NWC. Efforts are better served to push for changes to existing institutional bodies (i.e., a strengthening of the scope and regulatory power of the Inspector General for Water Compliance). Should a revival be contemplated, we need to clearly understand what the objects of the NWC will be, how it will be resourced, and how it will interact with other institutional bodies responsible for undertaking responsibilities of the former NWC. We note that a parallel process being undertaken by the Commonwealth does not seem to entertain the reestablishment of the NWC as a core or priority issue.

Conclusion

The NFF thanks the Commission for the opportunity to provide comment on this Inquiry. We look forward to further engagement on this important matter. Please do not hesitate to contact Warwick Ragg, General Manager NRM via e-mail: Wragg@nff.org.au at the first instance to progress this discussion.

Yours sincerely,

TONY MAHAR
Chief Executive Officer