



**Australian Government**  
**National Water Commission**

# Australian Public Service Commission SES Breakfast

Address by  
Ken Matthews  
Chair and CEO, National Water Commission  
30 July 2008



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# In the Headlines...

## Dry future well ahead of schedule

Autumn rains have failed for many farmers and southern rivers are faring even more poorly, reports rural writer **Asa Wahlquist**

With no rain and no sensible policies, water woes won't ease

Brace for doomed river and drought till 2013

Drought hits grocery prices

# Little water to save wetlands

## Brumby wins, but all must pray for rain

Towns truck in water as drought tightens its grip



## Inaction leaves Murray high and dry

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Lack of resolution on water increases threat to river

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**Spring rainfall dries up in south-east WA**

**A river of cash, but not enough of the wet stuff**

**Murray-Darling Basin drought is getting worse**

**Is it too late to save the Murray?**

**Half a billion for Murray, but lakes and wetlands still in danger**



# Outline

What is the NWI trying to do?



What is the NWC trying to do?



So, how is water reform going?



Roles of government in water.



Why so governments-dominated?



The biggest challenges in water reform today.



Water in 50 years.



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# It's a crowded stage ...

Infrastructure  
Australia

Department of  
Agriculture, Fisheries and  
Forestry

Irrigation Australia

Rice-growers  
Association of  
Australia

Australian  
Academy of  
Technological  
Science and  
Engineering

Local Governments

Department of Environment,  
Water, Heritage and the Arts

Cooperative  
Research Centre for  
Water Quality and  
Treatment

Australian Bureau of Agricultural and  
Resource Economics

Australian  
Bureau of  
Statistics

Environmental protection  
authorities

COAG Working Group  
on Climate Change and  
Water

E-Water CRC

Qld Water  
Commission

Water Services  
Association of Australia

University  
engineering  
faculties

National Water  
Commission

Australian  
Water  
Association

Bureau of Meteorology

Murray – Darling Basin  
Commission

Private contractors and  
consultancy firms, e.g.  
Connell Wagner  
GHD, SMEC, SKM, MWH

Land and Water Australia

NGOs, e.g. Australian  
Conservation  
Foundation, WWF,  
Wentworth Group

Government Skills  
Australia

Irrigation  
cooperatives, e.g.  
Murray Irrigation,  
Coleambally

Natural Resource  
Management  
Ministerial Council

Murray Darling Freshwater  
Research Centre

State and Territory water  
departments and agencies, e.g.  
Tasmanian Dept of Primary  
Industries and Water, Qld Water  
Commission, NT Dept of Natural  
Resources, Environment and the  
Arts

Cooperative Research  
Centre for Irrigation  
Futures

Australian  
Competition and  
Consumer  
Commission

Bureau of Rural Sciences  
Commonwealth  
Treasury

Water Supply Authorities e.g.  
Sydney Catchment Authority  
Melbourne Water  
Water Corporation, WA

CSIRO: Water  
for a Healthy  
Country  
Flagship

National  
Farmers'  
Federation





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# ...and many players are government entities

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Australia

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Agriculture, Fisheries and  
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## Water: a sense of failure by Govt's?

- ... failure to control over-allocation
- ... failure to manage environmental impacts
- ... failure to provide urban water security
- ... failure to collaborate across state borders
- ... failure to respond in time to signs of climate change

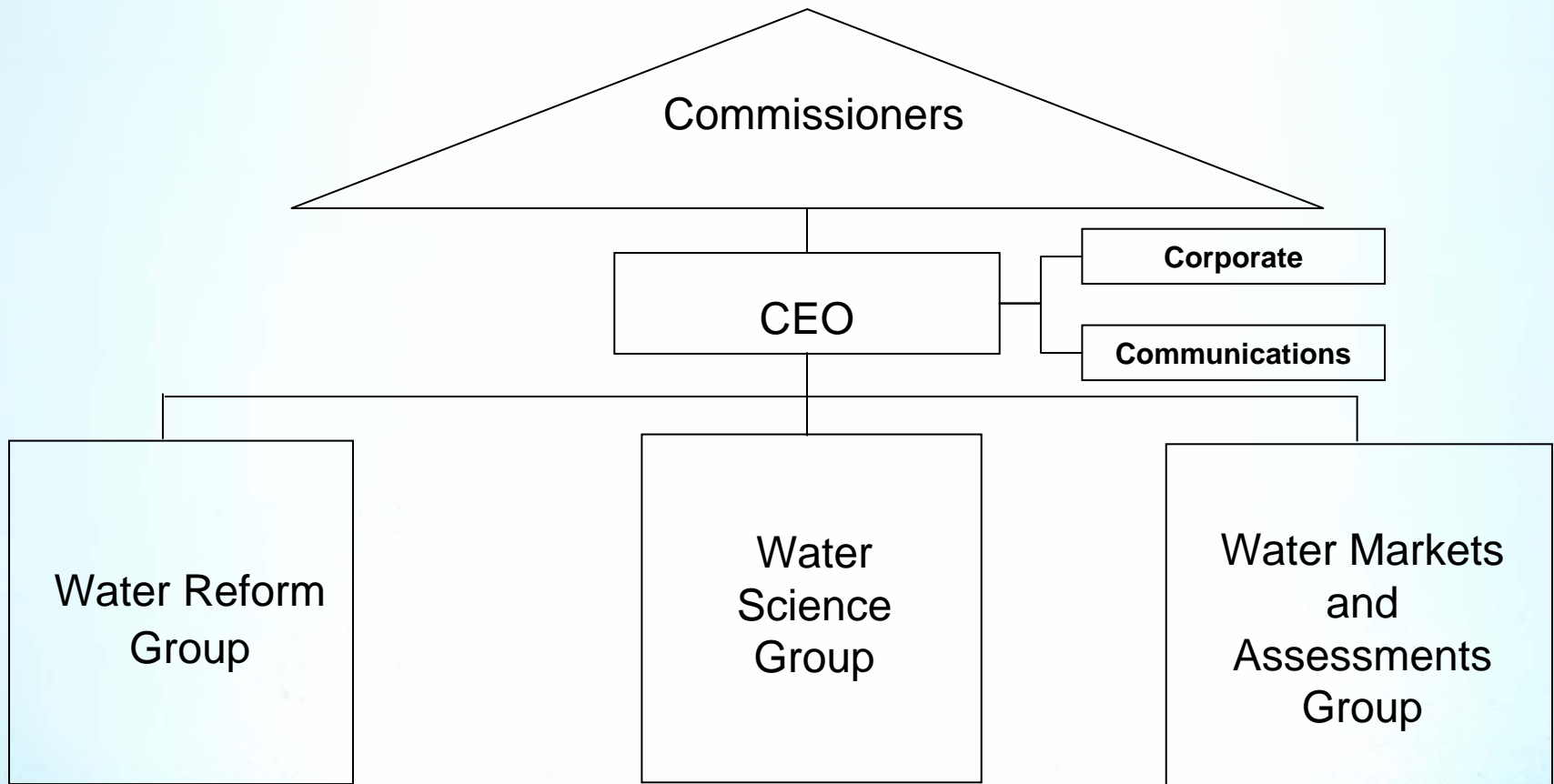


## The NWI and the NWC

- 🔥 **The National Water Initiative:** the agreed national roadmap for water reform in Australia
- 🔥 **The National Water Commission:** the independent assessor of progress towards the NWI reforms



# The National Water Commission – Structure





## What is the NWI trying to do?

- Reform 200 years of practice
- Consolidate in one document the whole of water reform
- Find a national approach among many different players
- Integrate production and environment
- Integrate science and economics
- Deal with both urban and rural issues

*A new journey with no precedent*



# Building better water management

- 💧 Building up certainty in water investments
- 💧 Building the environment into water management
- 💧 Building science / evidence into water decisions
- 💧 Building up markets in the water sector
- 💧 Building water into the infrastructure debate
- 💧 Building the capacity of governments and other parties in water management



## The nine roles of the NWC

1. Assist with the implementation of the NWI;
2. Promote and advocate the objectives of the NWI;
3. Assess the progress of NWI parties and advise COAG;
4. Report independently on opportunities for water reform;
5. Advise the Minister, the Commonwealth, or COAG on matters relating to water;



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## The nine roles of the NWC cont...

6. Advise the Minister in relation to any Commonwealth water-related program;
7. Advise on conformance of reforms and projects with the objectives of the NWI;
8. Audit the effectiveness of implementation of the Murray-Darling Basin Plan and water resource plans; and
9. Assess Basin State governments' performance under Commonwealth / State Water Management Partnership Bilateral Agreements.



## So, how is water reform going?

- ◆ All States signed on
- ◆ Secure, statutory water titles now available
- ◆ Markets in place; trading underway
- ◆ Statutory provision for the environment in place
- ◆ Institutions for environmental water management emerging
- ◆ Water planning processes now in place (150 plans)
- ◆ Registers of water titles largely in place
- ◆ NWI commitments on cost recovery and pricing largely in place
- ◆ Performance monitoring (benchmarking) in place
- ◆ Progress in water accounting, water data and metering standards
- ◆ NWI Urban reforms



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## But,...

- 💧 Over-allocation - still not resolved
- 💧 Water planning - still not good enough
- 💧 Groundwater - still not well managed
- 💧 Water interception - much talk/little action
- 💧 Water trading - still too slow and complex
- 💧 Compliance and enforcement – inadequate
- 💧 Indigenous access – sketchy at best



## But,... *cont..*

- 💧 Urban water subsidies – still messy
- 💧 Water pricing – needs improvement
- 💧 Role of local government – needs review
- 💧 Management of environmental water –disappointing
- 💧 Water data – still a lot to do
- 💧 Skills shortages
- 💧 Urban water planning - manifestly poor



## NWC's 2008 Update for COAG

NWC urged further improvements in:

- addressing over-allocation
- science input to water planning
- surface water/groundwater connectivity
- definitions (eg sustainable levels of extraction)
- water interception
- indigenous participation
- roll-out of completed plans
- monitoring and compliance



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# Water: Current Basic Responsibilities of Governments in Australia

- 🔥 Water pricing oversight and economic regulation
- 🔥 Water planning and management
- 🔥 Establishment and oversight of water markets
- 🔥 Delivery of water supply services
- 🔥 Regulation of water quality management



# Why so Governments-dominated?

## Economics

- Market failures
  - Environmental Externalities
  - Monopolies
- Price inelastic
- Public good characteristics

## Institutional Reasons

- 200 years of History
- Constitutional
- Institutional

## Political Reasons

- Regional importance of water
- Water: “evolutionary”
- Urban and
- Social and
- Health and

## “Government” Reasons

- Cross-border characteristics
- Budget impacts
- Research, science, data issues
- Government infrastructure programs



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## Problems of Government Domination

- Confusion/conflicts among government roles
- Delays in decision-making and investment
- Distortions to optimal investment patterns eg. postage stamp pricing vs niche water suppliers
- Distortion of water authorities' investments
- Distortion of price signals about costs and scarcity
- Politics overrides science
- Denial of available private sector finance



## Problems of Government Domination cont...

In a modern economy the default position for any sector should be

- market-driven; and
- private sector led, but...

*“There are some things even the best private sector manager can’t do...”*



## Eight Core Responsibilities of Governments

1. Set and enforce health and safety regulations
2. Set and enforce environmental protection standards
3. Set and regulate water market arrangements
  - ◆ property rights
  - ◆ transparency
  - ◆ “weights and measures” (water resource accounting and metering)



## Eight Core Responsibilities of Governments *cont..*

4. Establish necessary institutions
  - ◆ eg. environmental water managers
  - ◆ eg. water market registries, water data and information custodians
5. Regulate prices where markets fail and the benefits of intervention outweigh the costs
  - ◆ Generally through independent bodies



## Eight Core Responsibilities of Governments *cont..*

6. Harmonise cross-border arrangements to eliminate distortions
7. Urban planning, regional planning, NRM planning, water system planning, and long term planning
8. Introduce equity where markets don't

*...but (9.), inevitably, choices must be made*



# Can't we “take the politics out of water”?

- ◆ Science, data and knowledge are essential
- ◆ But ultimately these are social (i.e., political) choices
  - *Which environmental assets should be nurtured?*
  - *How big a redgum forest?*
  - *How green a wetland?*
  - *How often a hatching or nesting event?*
  - *How resilient do we want the ecosystem?*
  - *What risk will be acceptable?*

*Hence, decisions should be science-based but not science-determined. Choices, judgements and trade-offs will always be required.*



# The “right” level of Government involvement

- Private sector involved to maximum feasible level
- Markets utilised to maximum feasible level
- Strong government monitoring and regulation of
  - market operations
  - health, safety
  - environmental objectives
  - water technical and water data standards



# The “right” level of Government involvement *cont..*

- 🔥 Government delivery of
  - science and R&D services beyond private sector needs
  - Public good data and knowledge
- 🔥 Government leadership of
  - NWI-consistent water planning processes
  - water reform processes
  - national harmonisation
- 🔥 Government assurance of
  - Equity (where direct measures are inadequate)



# What are the biggest challenges in water reform today?

- Dealing with the drought and climate change
- Water security for production, the environment and cities
- Dealing with over-allocation
- Murray Darling Basin reform
- Re-establishment of the respective roles of governments
- Urban water reform
- Improving environmental water management arrangements
- Improving water markets



## What are the biggest challenges in water reform today?

- 💧 Articulating the next reform agenda
- 💧 Distilling a strategy from a bubbling cauldron
- 💧 Insightful ‘diagnosis’ vs ‘prescription’
- 💧 Fitting water reform into the Governments wider agenda (eg. Climate change, relations with the States)



## So, water reform in 2008

- 🔥 Responding to climate change
- 🔥 Improving water security
- 🔥 Dealing with over-allocation
- 🔥 Murray Darling Basin reform
- 🔥 Commonwealth/State collaboration
- 🔥 New urban reform agenda?



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# The 50-year Future



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Finally, a word about the NWC ...



## NWC: Its contributions after 3 years

- Keeping the water reform flame alive; calling it like it is
- Targeting key issues (e.g. trading, water data, groundwater, water interception)
- Opening new issues (e.g. urban water planning)
- Articulating doctrine (i.e. position statements)
- Lubricating reform (e.g. water accounting framework)
- Improving knowledge (e.g. baseline assessments)
- Encouraging national approaches (e.g. national recycling guidelines)



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## The NWC

- A small and intimate agency
- Strong sense of staff commitment, passion and loyalty
- High degree of agency autonomy
- Flat structures; high degree of personal responsibility; speedy processes
- A culture of decency
- Both “environmental” and “economic”
- National recognition; expertise
- A doing organisation
- Good access to Commissioners and Minister



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More information?

*[www.nwc.gov.au](http://www.nwc.gov.au)*

*[www.water.gov.au](http://www.water.gov.au)*