



National Farmers' Federation

Submission to the Productivity Commission: Five-year assessment of the Murray- Darling Basin Plan Draft Report

10 October 2018

NFF Member Organisations



Australian Chicken Growers' Council Ltd



CANEGROWERS



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Introduction

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission to the *Productivity Commissioner: Five-year assessment of the Murray-Darling Basin Plan Draft Report*. NFF will comment on the findings and recommendations to focus the Productivity Commission's (PC) efforts in delivering appropriate reform to ensure successful implementation of the Murray-Darling Basin Plan (Plan).

The NFF is the peak national body representing farmers and, more broadly, agriculture across Australia. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. Agriculture is a source of strength in the Australian economy, providing stable employment and income to rural communities. To achieve continued growth, the sector needs regulatory and public policy settings that foster growth and productivity; innovation and ambition.

The NFF supports the Plan as a historic compromise between a vast number of stakeholders, including farmers and irrigators. It is not perfect. It has had negative impacts on many communities and industries that rely on irrigation for production but has also had a positive impact with the return of water to the environment fuelling increased biodiversity in the region. Nevertheless, the Plan has the bipartisan consensus of each jurisdiction and the Commonwealth. The Plan is critical to ensuring the long-term health of the Murray-Darling Basin and providing water users and communities with certainty for the future.

The NFF acknowledges the efforts of the Commonwealth to renew bipartisanship of the Plan through its commitments package. NFF recognises that bipartisanship and consensus, developed through years of negotiation and compromise, is paramount to the implementation and success of the Plan. It also provides certainty for stakeholders which is a foundational environment for investment.

3. Table Recovering water for the environment

Finding	Recommendation	Comments
<p>3.1</p> <ul style="list-style-type: none"> total of 1995.8 GL of the 2075 GL needed to meet the adjusted SDL delivered <p><i>Finalising water recovery contingent on:</i></p> <ul style="list-style-type: none"> further 29.1 GL from the northern Basin, 37.7 GL from two Queensland groundwater resources and 0.4 GL in one surface water resource in Vic the delivery of 121.7 GL that is contracted, not yet delivered recovering 62 GL through efficiency measures any changes to planning assumptions that affect the contribution of those water entitlements already recovered towards water recovery targets. 	<p>3.1</p> <ul style="list-style-type: none"> Once WRPs finalised in 2019, MDBA should assess and determine extent of over-recovery (Support) Basin governments should then agree to a policy and timeframe to address any over-recovery where it has occurred (Support) 	<p>NFF recognises there has been significant progress in meeting the adjusted 2,075 GL target by 1 July, with 2,117.5 GL already recovered as environmental water (as of 30 June 2018). While the threshold has been exceeded, there are a number of local recovery targets yet to be met suggesting that some water has indeed been over-recovered.</p> <p>NFF welcomes the PC’s recommendation to assess and determine the extent of over-recovery in the Murray-Darling Basin, which is consistent with NFF’s policy position. In some river valleys, too much water has been recovered and has exceeded the regional target. Buyback of irrigation entitlements has had significant localised social and economic impacts.</p> <p>As purchased water was originally for consumptive use, water found to be over-recovered should be rightly returned back into the consumptive pool.</p> <p>Not only does holding excess water contribute to an opportunity cost in lost agricultural production; depending on where the water has been over-recovered, some water may not be efficient due to constraints and other deliverability issues. An assessment of over-recovery will provide certainty for farmers and knowledge to inform future water recovery activities.</p>

<p>3.2 <i>The Department of Agriculture and Water Resources does not have a systematic and transparent process to demonstrate that water recovered has environmental value.</i></p>	<p>3.2 The Department of Agriculture and Water Resources should ensure that water recovery aligns with environmental requirements and its processes for doing this are transparent.</p> <p>To ensure accountability, it should publish all advice provided by the Commonwealth Environmental Water Holder (including advice on strategic purchases) once transactions are complete.</p> <p>(Support)</p>	<p>NFF believes this is a sensible recommendation to promote transparency and ensure that water purchased via taxpayer money is used in a manner that delivers environmental outcomes.</p>
<p>3.3 <i>The Department of Agriculture and Water Resources has accounted for the impacts of improving irrigation efficiency on return flows in some major water recovery projects, but has not systematically accounted for these impacts in all water recovery programs.</i></p> <p><i>The overall impact of improved irrigation efficiency on water resources is not precisely known. The Murray-Darling Basin Authority (as Basin Plan Regulator) is responsible for determining this risk to Sustainable Diversion Limits.</i></p>	<p>3.3 If provided, the Australian Government should target any further assistance to communities where substantial adverse impacts from water recovery have been identified. This should:</p> <ul style="list-style-type: none"> • have clear objectives and selection criteria • be subject to monitoring and evaluation. <p>Any support for regional development should align with the Productivity Commission’s strategies for transition and development, set out in its report on <i>Transitioning Regional Economies</i>.</p> <p>(Support)</p>	<p>As mentioned in its initial submission, NFF holds a high level view on structural adjustment measures. With the focus on implementing the Plan, communities will inevitably be affected through consequential losses in direct economic activity and potential economic activity, with broader impacts to the community.</p> <p>NFF supports greater clarity for communities requiring assistance. However, this would be a compensable measure and should be appropriately targeted and underpinned by a robust framework to facilitate smooth transition in a changing economy and to ensure that taxpayer’s money is used effectively.</p>
<p>3.4 <i>The size and speed of water purchases has had negative impacts on some regional communities.</i></p> <p>3.5 <i>Recovering water through infrastructure modernisation has partially offset pressure for structural adjustment in some communities, but at a significant cost to taxpayers.</i></p>	<p>Any support for regional development should align with the Productivity Commission’s strategies for transition and development, set out in its report on <i>Transitioning Regional Economies</i>.</p> <p>(Support)</p>	<p>There are several findings from the <i>Transitioning Regional Economies</i> report to note. Firstly, all regional communities are unique. There is no single approach to assessing the scope for economic and social development in regions so assessments</p>

<p><i>However, higher water prices, water trade, and other ongoing pressures for change in the agriculture sector mean that some structural change is inevitable.</i></p>		<p>should consider the scope for private economic activity that is not dependent on ongoing financial support (Finding 2.2).</p>
<p>3.6 <i>The Department of Agriculture and Water Resources has not always demonstrated that water recovery has been cost-effective in meeting its goal of mitigating adjustment pressures while sourcing water entitlements. It has:</i></p> <ul style="list-style-type: none"> • <i>not systematically released information for strategic water purchases acquired by direct negotiation</i> • <i>paid a substantial premium above market prices to recover water through infrastructure modernisation</i> • <i>not undertaken a comprehensive assessment of benefits and costs of these approaches</i> 		<p>Secondly, the main factors shaping the index value of relative adaptive capacity for each region relate to:</p> <ul style="list-style-type: none"> • people-related factors (including educational achievement, employment rates, skill levels, personal incomes and community cohesion). • the degree of remoteness and accessibility of infrastructure and services. (Finding 4.3) <p>Thirdly, past assistance to industries and regions has been costly, ineffective, counter-productive, waste, poorly targeted and inequitable (Finding 5.6).</p> <p>NFF strongly agrees that assistance designed to sustain regions or industries should be avoided. Assistance should be designed to facilitate movement towards explicit and transparent adjustment goals, which might be a path of managed decline (Recommendation 5.6).</p>
<p>3.7 <i>Grants-based structural adjustment programs are unlikely to have been effective at supporting communities.</i></p> <ul style="list-style-type: none"> • <i>Assistance was not provided to those areas considered most vulnerable prior to the Basin Plan.</i> • <i>Some projects considered to provide community assistance have not done so.</i> 		<p>Assistance to support communities should build resilience and adaptive capacity in the medium-term. There must be an individual commitment or decision to innovate or invest to lead this process of change in order to benefit in the medium-term. Financial assistance without this individual commitment will not be enough to sustain regional economies without relying on government.</p>

4. Supply measures and Toolkit

The progression of supply measures is a critical component of the Plan. NFF welcomes the Basin Plan Amendment to reduce the original 2,750 GL recovery target to 2,075 GL.

The 605 GL of adjustment measures consists of 36 ‘supply projects’ comprising a number of: rules changes, supply works and constraints measures. NFF views these projects as an important part of resolving physical barriers which prevent the effective use of water for the benefit of the environment.

Finding	Recommendation	Comments
<p>4.1 <i>It is likely that some key projects in the approved supply package will not be fully operational in 2024.</i></p> <ul style="list-style-type: none"> • <i>They are behind schedule and the timeframe for implementation has been compressed due to delays in developing the projects.</i> • <i>They are still in an early stage of development.</i> • <i>History has shown that these types of projects are complex, interdependent and require extensive consultation to implement.</i> <p><i>A range of issues still need to be resolved between Governments before these projects can proceed. These include project risk sharing,</i></p>	<p>4.1 Basin Governments must resolve governance and funding issues for supply measures. They should develop an integrated plan for delivering supply projects to improve understanding and management of interdependencies within the package of supply projects within 12 months. (Support)</p>	<p>NFF acknowledges that the complexity of some projects in the supply package, particularly the constraint measures, means that there is a material risk projects won't be completed by the 2024 deadline.</p> <p>There are concerns regarding the transparency of the business cases of such projects and the timely progression of the supply measures. A lack of detail, transparency and consultation has fostered a high degree of community dissatisfaction, mistrust, and unwillingness to participate in the process which ultimately adds another layer of difficulty for Basin States in implementing constraint measures.</p> <p>Stakeholder confidence in the process is essential for the smooth implementation of the supply measures. Open and transparent consultation underpins this process and, so far, this has not been the case.</p> <p>Six projects (4 constraint, Menindee and hydro-cues), affecting almost a total of 3000 landholders with six years until the 2024 deadline, is still in the ‘Concept design’ or ‘Scoping’ phase and there has</p>

<p><i>monitoring, governance and funding.</i></p>		<p>been little effective consultation thus far. Uninformed media articles on these projects add to the challenge. Significant effort is required to progress these projects and address genuine concern.</p> <p>However, the process of easing constraints is time consuming as seen in the previous Hume to Yarrawonga project which took almost eight years and should be recognised in the Plan as such. With six years remaining, NFF has strong concerns that the current constraint measures will not be completed and fully operational by the 2024 deadline, and the consequences of that will be borne by irrigators.</p> <p>As determined in the reconciliation process, this will result in the acquisition of water from irrigators (through buybacks) to bridge the gap, costing an estimated additional \$480 million. There is documented evidence and reports demonstrating the significant social and economic impact buybacks has had on local communities. Therefore, it is in the best interest of all stakeholders, including NFF, to ensure the necessary framework and processes are in place to implement supply projects. NFF supports recommendations that will achieve this.</p> <p>NFF also supports recommendations to resolve transparency, governance, and funding issues and ensure the otherwise sensible and focussed implementation of the Plan that recognises and adapts to the complexity of projects. However, there should be an explicit focus on genuine community consultation, particularly with funding arrangements and governance in light of community mistrust and dissatisfaction.</p>
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	<p>4.2 Basin Governments should extend the 30 June 2024 deadline for supply measures to be operational where it would allow projects that offer value for money to be retained and their full benefits to be delivered within credible timeframes. (Support)</p>	<p>NFF also supports a limited extension to the deadline, and adds that there must be clear messaging in process to ensure this is not misconstrued as deliberate delaying and/or complacency. This has a strong potential to undermine public trust and confidence and necessary processes should be in place to ensure the logic is understood and accepted. To achieve this, project extensions should be limited and determined on a project-by-project basis in a transparent manner.</p> <p>However, this should not detract from and, in fact, should reinforce efforts to ensure that legislated timelines are met. Extensions should be considered as a measure to prevent projects being compromised in quality.</p> <p>Alternatively, to meet the 2024 deadline, with the current settings, would result in a poor or substandard project design and implementation with unsatisfactory community consultation, and further undermine community trust. Recommendations that will facilitate a harmonised progression to project implementation are supported.</p> <p>NFF believes there are worthwhile projects in the supply package that would be undermined by rushed implementation. Between meeting the deadline and ensuring projects are at a high standard, extending the deadline, with caveats, would be a sensible approach to resolve this matter without discarding good projects. Of course, extending the deadline may necessarily shift the timing of other milestones and reviews, but would be acceptable if the implementation is a success.</p>
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	<p>4.3 The Murray-Darling Basin Authority (as Basin Plan Regulator) must devise a strategy for undertaking the reconciliation of supply measures against environmental equivalence. This strategy should include an adaptive management approach to assessing reasonable progress to enable projects to be delivered in realistic timeframes. (Support)</p>	
	<p>4.4 The Department of Agriculture and Water Resources should establish a review process to determine if projects offer value for money and to determine credible timelines before final funding is approved. (Support)</p>	
	<p>4.5 Northern Basin Governments should put in place transparent and accountable governance arrangements for implementing the Northern Basin Toolkit. These arrangements should include:</p> <ul style="list-style-type: none"> • a mechanism to establish clear milestones to ensure the Toolkit measures are implemented within reasonable timeframes • an independent assessment by the Murray-Darling Basin Authority, as Basin Plan Regulator, of progress and effectiveness in implementing the measures. <p>(Strongly Support)</p>	<p>NFF strongly agrees with recommendations to improve transparency and accountability in the implementation of ‘toolkit’ measures in the Northern Basin, not only to ensure that they can be effectively implemented, but to provide a clear process that Basin communities can trust.</p>

5. Efficiency measures

Finding	Recommendation	Comments
<p>5.1 <i>The current test of neutral or improved socioeconomic outcomes (based on voluntary participation in infrastructure projects) does not fully address stakeholder concerns about impacts of additional water recovery on regional communities.</i></p> <p><i>However, addressing these concerns by requiring efficiency projects to have no adverse impacts is impractical, and risks ruling out projects that achieve the outcomes at least cost.</i></p> <p><i>Potential adverse impacts of further water recovery would be better addressed through program design, including close consultation with water users and irrigation infrastructure operators.</i></p>	<p>5.1 The Murray-Darling Basin Authority should immediately update and publish its modelling to establish the environmental benefits of additional water recovery with the current proposals for easing or removing constraints. (Support)</p>	<p>NFF agrees that the current test of neutral or improved socio-economic outcomes is inadequate and fosters uncertainty and doubt in the process.</p> <p>NFF supports the recommendation as a means to improve transparency, which is consistent with NFF’s Murray-Darling Basin Plan policy position. Nevertheless, the need to assess and understand, particularly, local socio-economic impacts remains a key indicator. NFF opposes efficiency projects that will produce negative impacts, including distributive impacts, on the community, consistent with the legal definition of ‘neutral or positive socioeconomic impacts’.</p>
<p>5.2 <i>Current progress in implementing efficiency measures provides little confidence that the enhanced environmental outcomes of the Basin Plan will be achieved by 2024 or on budget.</i></p> <ul style="list-style-type: none"> <i>There has been no update to the modelling to estimate what environmental benefits can be realistically achieved, given proposed projects to ease or</i> 	<p>5.2 The Department of Agriculture and Water Resources should release a new strategy for recovering the additional 450 GL in a no regrets fashion in early 2019. No regrets water recovery requires that:</p> <ul style="list-style-type: none"> the strategy should plan for a range of scenarios for constraint easing or removing and costs, and evolve as new information becomes available <p>(Support)</p>	<p>The linkage of payments for supply measures with the efficiency measures, through the bipartisan commitments package in May 2018, has placed a greater emphasis on the delivery of the 450 GL efficiency measures. There is a concern that linking these payments could potentially undermine the implementation of both the supply and efficiency measures. NFF is of the view that these payments should not be linked because they are distinct programs.</p> <p>There is still uncertainty surrounding the definition of ‘neutral or positive socioeconomic impacts’. NFF acknowledges that this is currently being further</p>

<p><i>remove constraints are unlikely to achieve the anticipated flow rates at key sites or be fully operational by 2024.</i></p> <ul style="list-style-type: none"> <i>Basin Governments have not yet support on an efficiency measures work plan to recover 450 GL by 2024, including how major socioeconomic impacts will be addressed.</i> <i>Despite this, the Australian Government is rolling out a water recovery program Basin-wide, which risks recovering water in the northern Basin that may not be useful to achieving the enhanced environmental outcomes in the southern Basin.</i> <i>There is a material risk that recovering 450 GL could be significantly more expensive than anticipated. The benefits and costs of the program as a whole have not been assessed (and there is no requirement to do so).</i> 	<ul style="list-style-type: none"> water recovery should align with progress in easing or removing constraints (Strongly Support) the volume, type and location of water recovered should clearly contribute to achieving the enhanced environmental outcomes in Schedule 5 of the Basin Plan (Support) alternative water products (such as leases and options) should be considered where capable of meeting enhanced environmental outcomes at a lower cost than the permanent recovery of entitlements (Strongly Support) program design and implementation should explicitly consider potential socioeconomic impacts and include mitigation strategies. This should include close engagement with affected communities and industries (Strongly Support) prices paid for water (per ML and total expenditure) should be within predetermined benchmarks. Where they exceed this benchmark, projects should be subject to independent scrutiny and the reasons made publicly available (Support) 	<p>developed for the next Ministerial Council (Minco) meeting.</p> <p>Recovery of the 450 GL is reliant on easing or removing key constraints in the river. However, considering findings suggesting that some supply projects, particularly constraint projects, are unlikely to be fully operational by 2024, recovery of the 450 GL would also be unlikely. Therefore, it is also worth considering an extension of the deadline for recovery of the 450 GL to align with the deadline for the constraint measures.</p> <p>NFF supports a no regrets fashion for recovering an additional 450 GL - an adaptive strategy that accounts for, and incorporates, risk in implementation as a means of ensuring the Plan is successfully implemented. However, clarification is needed as to what ‘no regrets’ means and should be explicitly addressed in the final report.</p> <p>Much of the recovery is reliant on easing constraints which, as mentioned, is a complex process. Therefore, consultation needs to be intense, agile and comprehensive. If it goes too long, there is an increased risk of penalty.</p> <p>NFF welcomes the consideration of alternative water products as a method of meeting enhanced environmental outcomes. NFF has long argued, and encouraged, the exploration and use of alternative and innovative approaches to water recovery beyond the purchase of water entitlements. All options should be considered to achieve enhanced environmental outcomes in Schedule 5 of the Plan.</p> <p>NFF strongly agrees that program design and implementation should explicitly consider potential</p>
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		<p>socioeconomic impacts and include mitigation strategies. This goes to the heart of the triple bottom approach (and the legislative requirement) in the Plan and should be reflected in the process as such. However, this process requires swift and adequate resourcing from the Government (s).</p>
	<p>5.3 The Water Minister should direct the independent review of the Water for the Environment Special Account scheduled for 2021 to review the benefits and costs of pursuing the enhanced environmental outcomes in Schedule 5. This should include:</p> <ul style="list-style-type: none"> • identifying what enhanced environmental outcomes can be achieved, given progress in easing or removing constraints, and how much environmental water would be required to do so • the benefits and costs of other approaches to achieving those environmental outcomes. <p>The Australian Government should use this information to determine how to proceed with water recovery in a way that maximises net benefits to the community, or whether to pursue the enhanced environmental outcomes through other means.</p> <p>(Support)</p>	<p>NFF agrees that the review is necessary to understand the benefits and costs in pursuing enhanced environmental outcomes. There is already substantial community concern in achieving the 450 GL and a process to assess this is welcomed.</p> <p>Proper consideration of alternative approaches to achieve outcomes would provide additional flexibility to the Plan. NFF strongly supports this measures in recognition of the fact that environmental outcomes is more than just flow, and can also benefit from non-flow measures, consistent with objectives from Schedule 5 of the Plan.</p>

6. Water resource planning

Finding	Recommendation	Comments
<p>6.1 <i>The development and accreditation of Water Resource Plans is well behind schedule and there are key issues still to be finalised in some Water Resource Plan Areas.</i></p> <p><i>There is a risk that attempting to accredit all Water Resource Plans by the 30 June 2019 deadline will:</i></p> <ul style="list-style-type: none"> • <i>compromise the quality of some plans</i> • <i>not allow sufficient time to consider and consult on key issues with affected stakeholders</i> • <i>inadvertently impact the entitlements of water users or the environment</i> • <i>reduce the effectiveness of Water Resource Plans in implementing key elements of the Plan including Sustainable Diversion Limits, the protection of environmental water and providing water for critical human needs.</i> • <i>This risk is highest for New South Wales, given the number of outstanding plans and the magnitude of proposed rule changes in some Water Resource Plan Areas. There is currently limited public information on how the Murray-Darling Basin Authority will address the risk of some plans not having accreditation by 30 June 2019.</i> 	<p>6.1 Basin Governments should immediately negotiate a pathway for granting extensions to the timelines for accrediting Water Resource Plans where there are outstanding issues to give sufficient time for adequate community engagement.</p> <p>(Support)</p> <p>Extensions should only be given in limited circumstances, particularly where there are material impacts that require negotiation of substantive changes to state-based water management rules. (Support)</p>	<p>NFF supports a conditional pathway for granting time extensions for Water Resource Plans (WRPs) to give sufficient time for adequate community engagement.</p> <p>NFF prefers that WRPs are well-developed and of quality through adequate and comprehensive community consultation. Understandably, the level of complexity differs between catchments and would require varying levels of consultation to develop an effective WRP. NFF recommends that the Government provides adequate resourcing, where required, to allow Basin States to pursue this process. This could take the form of additional staffing, as in the case of NSW, which has fervently sought to improve engagement.</p>

<p>6.2 <i>There are concerns that the process of developing Water Resource Plans has been onerous and unnecessarily costly because of inadequate guidance on the requirements of plans and little clarity of the Murray-Darling Basin Authority's expectations for accreditation.</i></p> <p><i>Key details for the implementation of Water Resource Plans have not yet been Support including the:</i></p> <ul style="list-style-type: none"> <i>requirements for annual compliance reporting, risking unnecessary compliance costs</i> <i>process for updating plans, risking an amendment process that inhibits adaptive management.</i> 	<p>6.2 In the next 12 months, the Murray-Darling Basin Authority (as Basin Plan Regulator) should:</p> <ul style="list-style-type: none"> clarify what Basin States are required to self-report annually to show compliance with Water Resource Plan obligations articulate the compliance assessment regime relevant to Water Resource Plan obligations develop guidance and consult on how it proposes to assess future amendments to Water Resource Plans by Basin States. <p>(Support)</p>	<p>NFF supports ensuring clear understanding of the requirements for compliance. Clarity and articulation are important pathways forward.</p>
	<p>6.3 The Murray-Darling Basin Authority (as Basin Plan Regulator) in consultation with Basin Governments should develop a detailed terms of reference to assess the effectiveness and efficiency of Water Resource Plans in preparation for the five-yearly evaluation in 2020.</p> <p>This evaluation should enable an assessment of the utility of Water Resource Plans for delivering on the objectives and outcomes of the Basin Plan. (Support in principle)</p>	

7. Indigenous values and uses

Finding	Comments
<p>7.1 Basin States have improved their formal processes for engaging Traditional Owners as part of Water Resource Plan (WRP) development.</p> <p><i>Given that so few WRPs have been submitted for accreditation to date, there is a risk that Basin States have left too little time before July 2019:</i></p> <ul style="list-style-type: none"> • <i>to complete effective engagement with Traditional Owners</i> • <i>to have regard to the views of Traditional Owners in preparing their WRPs</i> • <i>for MLDRIN and NBAN to develop their advice about whether the WRP requirements for Indigenous values and uses have been met.</i> • <i>This concern is greatest for New South Wales</i> 	<p>NFF acknowledges the results of the recently released cultural flows project as a pathway to recognise and develop a framework for the inclusion of cultural flows in the Plan.</p> <p>NFF awaits the outcome of further consultation amongst Traditional Owners’ representative groups and nations so an informed discussion can take place.</p>
<p>7.2 In addition to the development of Water Resource Plans, Basin Governments have developed a range of tools and processes to support the recognition of cultural values and uses in state water planning and environmental management and planning.</p> <p><i>The Australian Government has committed \$40 million to administer a program to support Indigenous investment in cultural and economic water entitlements in the Basin. The objectives and principles guiding the implementation of this program have not yet been articulated. It is unclear why this funding is limited to Indigenous communities in the Basin, rather than being available to all Indigenous communities in Australia.</i></p>	

10. Water trading rules

Finding	Recommendation	Comments
<p>10.1 <i>Some trade restrictions that were inconsistent with the Basin Plan trading rules have been removed.</i></p> <p><i>The Murray-Darling Basin Authority (MDBA) has raised 16 instances of potential non-compliance with the trading rules with Basin States. Ten of these matters remain unresolved and the MDBA has not been clear with Basin States about the steps to resolve these in a timely way.</i></p>	<p>10.1 The Murray-Darling Basin Authority (as Basin Plan Regulator) should:</p> <ul style="list-style-type: none"> • develop and publish an assessment framework for evaluating the consistency of trade restrictions against the Basin Plan trading rules, which gives guidance about how to estimate the costs and benefits of removing trade restrictions (Support) • specify the timeframes that it will endeavour to meet in resolving trading rule compliance matters (Support) • notify Basin States whether the ten unresolved matters raised with them amount to non-compliance and what action is required by Basin States to resolve them (Support) • publish the reasons given by Basin States for restrictions on surface water trade (Support) • publish its compliance determinations and the assessments that support each determination (Support) 	<p>The ongoing integrity of the water market is a critical component of the Basin Plan.</p> <p>NFF supports measures that will improve the efficiency of the implementation of the trade rules. Greater resourcing is required to streamline and standardise trading processes.</p> <p>As mentioned in NFF’s submission to the issues paper, this process should be conducted transparently in consultation with stakeholders.</p>
<p>10.2 <i>New information and reporting requirements specified under the Basin Plan trading rules are largely in place.</i></p>	<p>10.2 Basin Governments should set and publish a work plan within the next 12 months that describes how delivery capacity and constraint issues associated with changes in water use and trade will be investigated and managed. The work plan should specify responsibilities, timeframes and how this information will be communicated to the water market (Strongly Support).</p>	<p>NFF suggests more consumable and understandable published information on water ownership, by storage, and by valley, be created by the Authority.</p> <p>NFF acknowledges concerns on rate of growth in trade in relation to deliverability issues.</p>
<p>10.3 <i>Growth of trade has increased demands on delivery capacity and put pressure on delivery constraints in some parts of the Basin. A range of community members are concerned</i></p>		

<p><i>about the effects on third parties and the environment.</i></p> <p><i>Basin States and the Murray-Darling Basin Authority are aware of this strategic policy issue, but the process to resolve it is unclear.</i></p>	<p>Basin Governments should assign the Murray-Darling Basin Authority (as an agent of governments) responsibility for identifying and managing risks related to changes in water use and trade in connected systems (Support).</p>	<p>One salient example is the recent growth in permanent plantations, particularly almonds, olives, citrus, and others, in the Southern Basin.</p> <p>There has been some debate on this complex and difficult issues. NFF members have raised difficulties regarding consultation.</p>
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11. Environmental water planning and management

Finding	Recommendation	Comments
<p>11.1 <i>Although the Murray-Darling Basin Authority has approved the Pre-requisite Policy Measure (PPM) Implementation Plans for all relevant Basin States, there is some risk that PPMs will not be implemented by 30 June 2019.</i></p> <p>11.2 <i>The 2014 Basin-wide environmental watering strategy (BWEWS) has provided a strategic foundation for the environmental water planning of significant environmental water holders and has been used to inform their portfolio planning and watering decisions.</i></p> <p><i>The 2014 BWEWS does not provide clear guidance on how to prioritise those assets or types of watering events that are most important for achieving the Basin Plan objectives and expected outcomes.</i></p> <p>11.3 <i>Only seven out of 20 long-term watering plans (LTWPs) have been developed and published, with the remaining 13 due to be published by the</i></p>	<p>11.1 The Murray-Darling Basin Authority, when developing the next five-year Basin-wide environmental watering strategy in 2019, should strengthen its value as the key strategic plan governing environmental watering across the Basin by:</p> <ul style="list-style-type: none"> • including a clear objective to ‘maximise environmental outcomes through effective and efficient environmental water management’ (Support) • including a secondary objective that environmental watering should seek to achieve social or cultural outcomes, to the extent that environmental outcomes are not compromised (Support) • providing clear guidance, under all water availability scenarios, on the relative priority of key Basin environmental assets (including instream assets) to achieving the overall environmental objectives of the Basin Plan and the expected outcomes set out in the strategy (Support) <p>providing clear guidance, under all water availability scenarios, on the priority for achieving flow connectivity at the system scale relative to watering within an individual Water Resource Plan Area (Support)</p>	<p>NFF supports measures to provide greater clarity and guidance in the management and delivery of the environmental watering strategy to improve and maximise environmental outcomes.</p>

<p><i>ACT, New South Wales and Queensland Governments by 30 June 2019 or earlier.</i></p> <p><i>LTWPs are likely to be an important component of the Environmental Management Framework as they are:</i></p> <ul style="list-style-type: none"> <i>• undertaken at the catchment scale and facilitate top-down and bottom-up input</i> <i>• a mechanism to facilitate local input into environmental water planning activities and the prioritisation of assets within a catchment.</i> <p><i>Basin States have adopted different approaches to specifying priorities, objectives and targets in LTWPs.</i></p>	<p>11.2 Following the publication of the 2019 Basin-wide environmental watering strategy (BWEWS), the Murray-Darling Basin Authority (MDBA) should provide clear guidance material to Basin States on the expected content of long-term watering plans (LTWPs) when they are revised. This guidance material should include the need for LTWPs to articulate:</p> <ul style="list-style-type: none"> • realistic long-term objectives to be achieved from the available environmental water portfolio through watering activities within current operational constraints • environmental watering requirements in the catchment including the required magnitude, timing and frequency of watering for priority assets, ecosystem functions and system connectivity • the relative priority of assets within the catchment for achieving the objectives of the Basin Plan and the expected outcomes of the BWEWS • the risks to the achievement of the long-term watering objectives. <p>The MDBA should seek the strategic input of asset managers and environmental water holders and managers when preparing this guidance material to ensure that the utility of LTWPs for environmental water decision making can be improved over time.</p> <p>To improve the accessibility of information, the MDBA should maintain a register of LTWPs on its website, including relevant deadlines, progress towards completion, final documents when they are</p>	<p>NFF supports greater clarity and transparency for long-term watering plans.</p> <p>NFF also supports greater accessibility to information. The register should aspire to consistent approaches where possible.</p>
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	<p>completed, and the status of each plan as they are reviewed and adapted over time.</p> <p>(Support)</p>	
<p>11.4 <i>The Basin annual environmental watering priorities:</i></p> <ul style="list-style-type: none"> <i>do not add value to the decision making of environmental water managers as they are released too late for consideration in their planning processes</i> <i>are becoming increasingly redundant as significant environmental water holders are moving to rolling multi-year plans.</i> 	<p>11.3 The Basin Plan should be amended to remove the requirement for the Murray-Darling Basin Authority to produce Basin annual environmental watering priorities.</p>	<p>NFF agrees that Basin annual environmental water priorities are becoming increasingly redundant and do not add value in the decision making process. While removing this requirement for the Murray-Darling Basin Authority (MDBA) is supported, NFF does not support opening up the Water Act to do so, and prefers other non-legislative avenues to be considered.</p> <p>However, if opening up the Water Act is the only method to remove the requirement for Basin annual environmental watering priorities, then bipartisan support is a necessary pre-requisite.</p>
	<p>11.4 By 2020, Basin Governments should:</p> <ul style="list-style-type: none"> agree to formalise the role of the Southern Connected Basin Environmental Watering Committee as the mechanism for intergovernmental coordination for environmental watering. Governance arrangements including terms of reference, membership and reporting responsibilities should be established <p>Establish a Northern Connected Basin Environmental Watering Committee as a mechanism for intergovernmental coordination for planning and coordinating connected environmental watering events in the northern Basin. (Support in principle)</p>	<p>There are practical difficulties of achieving fully coordinated flows. Co-ordinated management requires the full co-operation of all jurisdictions and supports NFF’s view that integrated management of the landscape is essential to maximise the effectiveness of the use of environmental water. This also includes incorporation of local knowledge and expertise and building stakeholder understanding of range of actions required to deliver desired outcomes.</p> <p>NFF suggests that the Northern Basin Commissioner could also be utilised in this process.</p>

	<p>11.5 Where not yet in place, the Commonwealth Environmental Water Holder (CEWH) should set out the processes it will use to consult and coordinate with key stakeholders to make event-based watering decisions — including water managers, asset managers and other environmental water holders.</p> <p>These processes should be in place and documented in the CEWH’s 2019-20 annual portfolio management plans. (Support)</p>	<p>Plans should recognise, where possible, complementary environmental benefits of operational water.</p>
	<p>11.6 Before the first revision of long-term watering plans, Basin States and environmental asset managers should have processes to engage with local communities and Traditional Owners. These activities should identify opportunities to achieve social or cultural outcomes with environmental water, while ensuring environmental outcomes are not compromised. (Support)</p>	<p>NFF strongly supports greater community consultation and values local knowledge to inform the development of long-term watering plans and ensure the delivery of environmental outcomes.</p>
	<p>11.7 Basin States should manage the risks to achieving the environmental watering objectives set out in long-term watering plans by delivering complementary waterway and natural resource management measures (such as habitat restoration or weed and pest control). (Strongly Support)</p>	<p>This recommendation is consistent with NFF’s argument that environmental outcomes are more than just flow. Ongoing management of risks will ensure that environmental outcomes are achieved and the effectiveness of purchased water is maximised.</p> <p>Management could include, and is not limited to, addressing cold water pollution and fish passage, controlling feral animals in key wetland and floodplain areas, and tackling carp infestations.</p> <p>NFF supports greater emphasis on this concept in achieving environmental outcomes and should also be included as part of efficiency measures.</p>

12. Compliance

Finding	Recommendation	Comments
<p>12.1 <i>The Murray-Darling Basin Authority's reforms of its regulatory approach (including the establishment of an Office of Compliance) are a step forward in establishing its capability, but it is too early to gauge the likely effectiveness of the new arrangements. The Productivity Commission will examine these in its 2023 review of Basin Plan implementation.</i></p>	<p>12.1 As a transitional measure, the Murray-Darling Basin Authority should house its Sustainable Diversion Limit and Water Resource Plan compliance functions within the Office of Compliance, before its compliance role comes into full effect in July 2019. (Support in principle)</p>	<p>Care needs to be taken to ensure this transition is not overly disruptive.</p>
<p>12.2 <i>Compliance reforms by Basin State Governments are a step forward in improving water take compliance regimes. Their efficiency and effectiveness will be reviewed in 2023 by the Productivity Commission.</i></p>	<p>12.2 Basin States should consider the role, costs and benefits of consistent metering policies including the role of metering standards.</p> <p>Basin Governments should work with Standards Australia to formally revise standards to ensure quality and cost effectiveness in water measurement.</p> <p>The new metering implementation plans being developed by Basin States should be supported by publicly available business cases.</p> <p>(Support in principle)</p> <p>12.3 Enforcement of illegal water take is the responsibility of Basin States.</p> <p>The Murray-Darling Basin Authority (MDBA) should publicly report instances where Basin</p>	<p>NFF supports metering to improve transparency and better informed decision making. However, NFF maintains the view that adopting metering standards may be unnecessary due to difficulty in acquiring compliant meters.</p> <p>Costs involved with meeting a new metering standard should not be passed to farmers where there is adequate metering already in place.</p> <p>NFF supports appropriate and considered compliance and enforcement measure.</p> <p>There needs to be greater accountability for the incompetence of Basin States. Penalty fees is one</p>

	<p>States are not effectively responding to concerns of illegal water take.</p> <p>In instances where public reporting is ineffective, the MDBA should use system-wide enforcement levers such as Sustainable Diversion Limit accounting compliance mechanisms to enforce limits on water take.</p> <p>(Support in principle)</p>	<p>method to ensure these tasks are delivered in a timely manner.</p>
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13. Reporting, monitoring and evaluation

Finding	Recommendation	Comments
<p>13.1 <i>There are weaknesses with the National Partnership Agreement on Implementing Water Reform in the Murray-Darling Basin that reduce its usefulness as a means to hold Basin Governments to account for meeting their commitments in implementing the Plan.</i></p> <p><i>These deficiencies include that:</i></p> <ul style="list-style-type: none"> • <i>milestones are inadequately defined and have been assessed as met when there is evidence to the contrary</i> • <i>key information that informs assessments of progress against National Partnership Agreement milestones is not publicly released</i> • <i>there have been delays in the release of assessments of progress against National Partnership Agreement milestones in some years.</i> 	<p>13.1 Given deficiencies in past agreements, for any future intergovernmental agreements relating to the implementation of the Basin Plan, the Australian Government should ensure:</p> <ul style="list-style-type: none"> • the roles of the Australian Government and Basin States are clearly identified • specific performance milestones are identified, and that clear responsibility is assigned for the delivery of each milestone • where milestones are linked to payments, that these payments are disaggregated with a payment per milestone to provide a genuine incentive for implementation • reporting on the progress of Basin Governments in meeting milestones is timely • independent assessment of the progress of Basin Governments is undertaken • advice provided by relevant agencies, such as the Murray-Darling Basin Authority or the Commonwealth Environmental Water Holder, that is used to inform assessments of progress is published in full. (Support) 	<p>NFF supports measures to provide greater clarity on the roles and responsibilities as a way to ensure milestones and delays are not further exacerbated.</p>
<p>13.2 <i>The current Basin-wide evaluation framework is unclear and there is a lack of a clear strategy to coordinate the collection of</i></p>	<p>13.2 The Murray-Darling Basin Authority (as Basin Plan Regulator) should develop a revised Basin Plan evaluation framework. This framework should define the specific questions that are to be used to evaluate the outcomes and effectiveness of the Plan, and the</p>	<p>NFF's agreement is conditional on greater exposure to the process as it develops.</p> <p>However, NFF's view is that the MDBA, as the regulator, is not the right agency to develop</p>

<p><i>the information needed to monitor the outcomes of the Plan. This means that:</i></p> <ul style="list-style-type: none"> <i>actions taken to monitor outcomes in the Basin are fragmented and inadequately integrated</i> <i>there is the potential for information gaps that may result in future evaluations being unable to accurately and comprehensively assess the impacts and outcomes of the Plan</i> <i>there is a risk of monitoring activity being duplicated</i> <i>the ability of Basin Governments to clearly communicate the outcomes of the Plan is impeded.</i> 	<p>scales and times at which these questions will be answered. The framework should be made publicly available, and be published no later than 2019. (Support in principle)</p>	<p>this framework as there is inadequate structural separation. This is a different type of capability and would be better placed to be developed via the Department of Agriculture and Water Resources or the Basin Officials Committee.</p> <p>This would also depend on the outcomes of the governance arrangements detailed in chapter 14.</p>
	<p>13.3 Basin Governments should develop a Basin Plan monitoring and evaluation strategy to implement the evaluation framework. This should describe the process by which the information needed to answer the evaluation questions set out in the framework will be collected. This includes:</p> <ul style="list-style-type: none"> outlining what information will be collected and by whom identifying any information gaps, who will be responsible for addressing them and the process by which they will be addressed establishing the arrangements for sharing the costs of monitoring and evaluating the Plan between Basin Governments. <p>This implementation strategy should be developed by Basin Governments, supported by the Murray--Darling Basin Authority (as the agent of governments).</p> <p>The strategy should be made publicly available and be published no later than 2019</p> <p>(Support)</p>	

14. Institutions and governance

Finding	Recommendation	Comments
<p>14.1 <i>There are major shortcomings in the current institutional and governance arrangements and these pose a significant risk to the next phase of implementation of the Basin Plan.</i></p> <ul style="list-style-type: none"> <i>Responsibility for leading the implementation of the Basin Plan is not clear and there has been a lack of strategic leadership. There is uncertainty about who should respond to issues as they arise.</i> <i>The Murray-Darling Basin Authority has conflicting roles. Its ability to effectively perform its collaborative service delivery functions (as an agent of governments) and be an independent and credible regulator that ensures compliance with the Plan has been compromised by these conflicts.</i> <p><i>These key deficiencies in institutional and governance arrangements have led to:</i></p> <ul style="list-style-type: none"> <i>a lack of transparency and accountability</i> <i>ineffective processes for intergovernmental collaboration</i> <i>stakeholders who are confused and frustrated by the efforts made to engage them due to a perceived lack of responsiveness</i> 	<p>14.1 Basin Governments should demonstrate strategic leadership, take joint responsibility and direct the implementation of the Basin Plan.</p> <p>The Murray-Darling Basin (MDB) Ministerial Council should collaborate to provide the strategic leadership and policy direction required to implement the Plan, and be ultimately accountable for implementation.</p> <p>The MDB Ministerial Council should reform the institutional and governance arrangements for implementing the Basin Plan by:</p> <ul style="list-style-type: none"> enhancing the role of and delegating accountability for implementation to the Basin Officials Committee (BOC). BOC should be responsible for managing the significant risks to successful implementation and ensuring effective intergovernmental collaboration ensuring that formal directions to BOC regarding implementation are publicly available ensuring that arrangements to assess progress, evaluate outcomes, and ensure compliance with the Plan are fully independent 	<p>NFF recognises that implementation of the Plan requires a clear strategic plan and policy direction to navigate through the complexities arising from multi-stakeholder and multi-jurisdictional nature of the Basin.</p> <p>NFF conceptually agrees with the proposed structural separation of the MDBA, but has reservations that the service delivery role cannot be adequately undertaken by the BOC, reconstituted or not. NFF will need to closely examine any separation proposal. That said the model provided by the PC makes sense at least at the principle level.</p>

<ul style="list-style-type: none"> • <i>key risks not being strategically managed and timelines slipping</i> • <i>implementation being managed through last minute negotiations as a crisis emerges or a deadline looms.</i> 	<ul style="list-style-type: none"> • recognising that the Murray-Darling Basin Authority will continue to be key to driving collaboration between and providing technical support to Basin Governments as they implement the Plan • ensuring that Basin Governments are individually and collectively resourced to perform their roles to implement the Plan. <p>(Support)</p>	
	<p>14.2 Basin Governments should agree to the restructure of the Murray-Darling Basin Authority to separate its service delivery and regulatory functions into two institutions.</p> <p>The Australian Government should then embark on the necessary institutional reforms to establish the:</p> <ul style="list-style-type: none"> • Murray-Darling Basin Corporation — as the agent of Basin Governments • Basin Plan Regulator — an independent Commonwealth Statutory Authority. <p>These institutional reforms should be in place by 2021. (Support)</p>	<p>NFF will be interested to see proposals for how an independent, yet sectorally competent, chair will be identified and what the appointment mechanism might be.</p>
	<p>14.3 To enable it to carry out its enhanced role, by 2020 the Basin Officials Committee should:</p>	

	<ul style="list-style-type: none"> • comprehensively review the capability and the resourcing it requires to jointly implement the Plan • agree on the capability and services Basin Governments require of the Murray-Darling Basin Corporation to support them to implement the Plan and for shared water resource management • establish new arrangements and processes to support ongoing intergovernmental collaboration. <p>(Support)</p>	
	<p>14.4 As a transitional measure, and before the Murray-Darling Basin Authority's compliance role comes into full effect in July 2019, the Office of Compliance should be broadened to be the Office of the Basin Plan Regulator, and include compliance and evaluation functions.</p> <p>(Support)</p>	<p>NFF views this proposal as a sensible transitional measure that provides sufficient structural separation while allowing formal separation to be undertaken in a considered manner.</p>
	<p>14.5 In establishing the Basin Plan Regulator by 2021, the Australian Government should ensure that it will be effective, including by reviewing the skills mix of the statutory appointments and establishing a statement of expectations.</p> <p>(Support)</p>	

15. Conclusion

Overall, NFF broadly agrees with the recommendations of the Draft report. As described, the main areas of contention remain the implementation of the supply measures and the efficiency measures which have the most impact on irrigators.

Where possible, and while unlikely, NFF strongly supports the timely implementation of both supply and efficiency measures, and prefers that a time extension will not be needed and red tape will not create inertia in the transition process. Establishing the appropriate frameworks, and adequate resourcing, is critical to achieve this. NFF strongly supports efforts to address this first and foremost, and a collaborative effort is required by all stakeholders to ensure this occurs. While a time extension proves to be an adaptive option to appropriately ensure projects are properly implemented, failure to achieve timely implementation may prove to be unfavourable in the long term. NFF would like to avoid any possibility that would result in a renegotiation of the Plan, which has been developed through years of negotiation and compromise from all Basin stakeholders.