

## Speeches

25 January 2007

**TRANSCRIPT OF THE PRIME MINISTER  
THE HON JOHN HOWARD MP  
ADDRESS TO THE NATIONAL PRESS CLUB,  
GREAT HALL, PARLIAMENT HOUSE**

E&OE...

Thank you very much Mr Chairman. I'm happy again to address the National Press Club on some of the great challenges that face our nation in 2007. Last year I spoke about the great sense of balance in public life and public policy which have been a hallmark of the Australian achievement. Today I want to address in a very direct and detailed fashion one of the great challenges of our time and that is water security.

Before doing so let me, of course, remind you that whatever policies we may have, in areas as specific as water security, ultimately, for their effective implementation, they depend upon the continuing strength and growth of the Australian economy. And there is no greater single challenge in face of this government and of others in public life, than demonstrating a capacity to maintain the enormous prosperity of this nation at the beginning of 2007.

Our lowest unemployment rate in more than a generation, a higher level of business investment, a very pleasing reminder that inflationary pressures are tending downward rather than in the other direction; none of these things have occurred by accident. They are not some kind of automatic God given right, they are only achieved by the implementation of the right policies in the right fashion based on experience and a capacity to take the decisions necessary to maintain the prosperity of our country. Water has always been at the very heart of the existence of the Australian nation.

It influenced the life and the activity of the first Australians. It determined that the British settlement would occur at Port Jackson rather than at Botany Bay, and the great Federation drought of 1892 through to the early part of the next century inspired Dorothea Mackellar to pen those immortal words about droughts and flooding rains. As we grew and prospered as a nation after World War II, we placed heavy demands on our water resources, but that was a time when we invested heavily in infrastructure.

We built the great Snowy Mountains Scheme, we invested heavily in dams and other ways of ensuring that our water resources were there and were available. But by the time of the 1980s, policies began to change. Governments became reluctant, for a combination, in some cases of misguided implementation of environmental policies, became reluctant to invest in the construction of water conservation infrastructure, particularly dams. And that, of course, created understandable concern about the availability of water to look after us in the years ahead.

In the last decade or so, we've begun to turn this around. Billions of dollars both

at the state and a federal level have been set aside for projects individual projects. Our own \$2 billion Water Fund is leveraging major investments in every state. And through the Living Murray Initiative, we are on the way to restoring six iconic environmental sites in our greatest river system. And with the National Water Initiative, a long-term framework is finally in place to increase the efficiency of water use, to service the needs of communities, and to return our river and groundwater systems to environmental health.

Despite this, the current trajectory of water use and management in Australia is not sustainable. In a protracted drought, and with the prospect of long-term climate change, we need radical and permanent change. I regard myself as a climate change realist. That means looking at the evidence as it emerges and responding with policies that preserve Australia's competitiveness and play to her strengths.

There does appear to have been a contraction to the south in the weather systems which traditionally brought southern Australia its winter and spring rains. Our rainfall has always been highly variable. The deviation around average rainfall is enormous. And it seems to be getting bigger. We need, so to speak, to make every drop count, on our farms, in our factories and in our homes. Our water management systems must be geared not to a world of steady averages that rarely materialise, but to the variability that has been part of Australia's climate since time immemorial.

Water solutions will vary from place to place. The truth is, as I said last July, we have the capacity to drought-proof our large cities. What is needed is more investment, sensible pricing and an end to state governments using water utilities as cash cows. Our water scarcity problems are bigger in rural Australia given the drought and unsustainable water use in many places.

Against this backdrop, I announce today a \$10 billion, 10 point plan on a national scale to improve water efficiency and to address the over-allocation of water in rural Australia, particularly in the Murray-Darling Basin.

The plan has the following quite specific elements. Number one, a nationwide investment in Australia's irrigation infrastructure to line and pipe major delivery channels. Number two, a nationwide programme to improve on-farm irrigation technology and metering. Number three and very importantly, the sharing of water savings on a 50/50 basis between irrigators and the Commonwealth leading to greater water security and increased environmental flows.

Number four, addressing once and for all, water over-allocation in the Murray-Darling Basin. Fifth, a new set of governance arrangements for the Basin. Number six, a sustainable cap on surface and groundwater use in the Basin. Number seven, major engineering works at key sites in the Murray-Darling Basin such as the Barmah Choke and Menindee Lakes.

Number eight, expanding the role of the Bureau of Meteorology to provide the water data necessary for good decision-making by governments and industry. Number nine, a taskforce to explore future land and water development in Northern Australia and finally, completion of the restoration of the Great Artesian Basin.

This 10 point plan opens a new chapter of national water management in Australia. It is a large but prudent investment, especially given the importance to Australia of the Murray-Darling Basin, and the scale of the water crisis that confronts it. The Basin accounts for the vast bulk of irrigated agricultural production in Australia and roughly 85 per cent of our irrigation water use. It has a population of two million people, and another one million people in South Australia are heavily dependent on the system for their water.

The last five years have been the driest in the Basin since records began. As a result, the operation of the River Murray remains, in the words of the Commission, on a 'knife-edge'. In 2006, the inflows into the Murray were only 40

per cent of the previous all-time low. Water security will remain an enormous challenge in the Basin. Indeed, it could get worse.

The CSIRO estimates that by 2020, average annual flows could decline by about 15 per cent due to climate change, recovery from bushfire, farm dam and plantation expansion and increasing use of groundwater. All parties must recognise that the old way of managing the Murray-Darling Basin has reached its use-by date. The tyranny of incrementalism and the lowest common denominator must end.

I will therefore be writing to all relevant State and Territory Leaders requesting that they refer to the Commonwealth their powers of water management over the Murray-Darling Basin.

The \$10 billion plan I have just outlined will only work if the governance arrangements for the Basin are put on a proper national footing. The proposal is conditional on this occurring.

In a normal year, irrigated agriculture uses about 14,000 gigalitres of water, that's roughly 70 per cent of all water used in Australia. This water is not used as efficiently as it should be. A huge amount, up to 30 per cent, is lost transporting the water, through leakage, seepage and evaporation.

To increase the efficiency of water use and to maximise future water security, the Government will embark on the largest modernisation of irrigation infrastructure, both on and off-farm, ever undertaken in Australia's history.

At a cost of almost \$6 billion, works will include the lining or piping of major delivery channels, improved metering and the installation of drip systems. When complete, these investments should save more than 3,000 gigalitres of water – equivalent to an efficiency gain of more than 20 per cent in Australia's irrigated water use, or about 17 times the city of Adelaide's annual water use.

Many of our largest irrigation districts – such as Murray, Murrumbidgee and Goulburn-Murray irrigation areas – offer significant potential for water savings. Districts such as the Burdekin in Queensland and Harvey Irrigation Area in Western Australia will also be able to significantly improve the efficiency of water use.

The Commonwealth will be contributing about \$3 billion to this phase of our plan, with irrigation companies expected to contribute \$750 million. 50 per cent of the water savings will be retained by irrigators and 50 per cent held by the Commonwealth will go to enhancing water security and to sustaining river systems and wetlands. We also need a radical transformation in on-farm water efficiency. At the moment, up to 20 per cent of water delivered to the farm gate may be lost in on-farm distribution channels. And roughly 10 to 15 per cent of water applied to crops is lost through over-watering.

The Government will invest \$1.5 billion nation-wide to raise on-farm water efficiency. Farmers will be expected to provide significant contributions to achieve a step-change in on-farm technology. This will lift the productivity of large parts of our farm sector through the ability to deliver water on demand and better match water application to crop needs. A further \$225 million will be invested in accurate meters at the farm gate to increase transparency of use within irrigation systems.

To accrue the benefits of this multi-billion dollar infrastructure investment, farmers and irrigators will need to meet strict new conditions. These include full compliance with the National Water Initiative, acceptance of mandated metering standards, including the metering of all bores and a new metered regime for stock and domestic use in priority catchments and acceptance of an enforceable regime on the building of new farm dams.

To complement these measures, the Government will invest a further \$500 million to improve the efficiency and effectiveness of river operations and storages. This is especially important in the Murray-Darling Basin where large-scale engineering works are required to improve water use efficiency and water trading options. At the Barmah Choke, for example, there is an urgent need to alleviate channel capacity constraints to enable more effective delivery of irrigation and environmental water, a fact acknowledged only two days ago Mr John Thwaites the Deputy Premier of Victoria.

As well as improving water efficiency, we need to confront head on and in a comprehensive way, the over-allocation of water in the Murray-Darling Basin. We must strike a sustainable balance between the demands of agriculture, industry and towns on the one hand and the needs of the environment on the other. Therefore I announce that the Government will allocate up to \$3 billion to adjust water entitlements in the Murray-Darling Basin. This is the Commonwealth assuming responsibility for a problem created by the states. We are willing to address the chronic over-allocation of water in the Basin and to carry the entire cost of doing so.

The CSIRO is working to ascertain the sustainability of allocations catchment by catchment and final results for all catchments are expected by the end of the year, and this will reveal the full extent of over-allocation challenge that we must deal with. Water acquired by efficiency measures or direct purchase can both provide greater security for water users in dry years and provide substantially greater environmental flows in later years. These measures will contribute to the changing face of agriculture in the Basin.

The Government stands ready to provide structural assistance and, if necessary, to purchase water allocations in the market. We could muddle through as has occurred in the past, but frankly, that gets us nowhere. Without decisive action we face the worst of both worlds. The irrigation sector goes into steady but inevitable decline while water quality and environmental problems continue to get worse. Governments have a role in helping communities adjust, but we must also make sure that we have strong, efficient markets to continue this process once a sustainable base of water allocations has been established.

Australia has an enormous opportunity if we take the right action now to expand our role as a global supplier of food and fibre in coming decades. We live in an increasingly urbanised world whose population is expected to reach 8 billion people by 2030. These people will continue to demand food and clothing. Ladies and gentlemen, none of this massive investment will make any sense or can be effectively achieved without a complete overhaul of the Murray-Darling Basin's governance arrangements. Putting the Basin on a sustainable footing can only occur through faster reform and fully integrated catchment management. And that requires an end to the parochial pursuits of state interests.

Rivers do not recognise those lines on the map that we call state borders and if I could have graphic number one, simply illustrating the Murray-Darling Basin straddles the borders of a number of states. And if I can have graphic number two which illustrates that in northern Australia, the area that will be the subject of the taskforce work, straddles the borders of the Northern Territory, Western Australia and Queensland, and if I can have graphic number three of the Great Artesian Basin, the same point can be made. The Great Artesian Basin is no respecter of state borders, the solution to the problems that the Basin as well as the other problems I'm outlined will need us to straddle those borders.

Criticism of the management of the Murray-Darling Basin is often seen as the Commonwealth blaming the states or one state blaming the other. And there is no doubt that many errors have been made in the past.

In the final analysis, however, the core problem is that the different states have competing interests. The South Australians resent, as they have for more than 150 years, the level of diversions by Victoria and New South Wales. The Queenslanders feel they were late to the party in developing irrigated agriculture

and want to catch up. The New South Welshmen downstream complain that their overland flows have been diverted to cotton farms.

As long as integrated water systems are being managed piecemeal by governments with competing interests, the execution of even the best national agreements will remain challenging and contentious. Let me illustrate. We still do not have an effective Basin-wide cap on water extraction, 12 years after the introduction of an interim cap which Queensland and the ACT have essentially ignored and which New South Wales has regularly breached.

We still lack the most basic water information such as a consistent, Basin-wide register of water entitlements. There is still inadequate reform on issues such as water trading and pricing, and contrary to assurances made to the Commonwealth as late as the Melbourne Cup Day special summit I convened last year, states are not insisting that irrigation companies implement the ACCC's recommendations on exit fees. And finally because of the veto power individual states have over the Ministerial Council's agenda, some issues like unregulated flows are not addressed in a timely manner.

I've already stated my intention to ask the relevant state and territory leaders for a reference of powers over the Basin. At stake is nothing less than the economic, social and environmental health of one of Australia's most important regions.

We must think and act as Australians and not as Queenslanders, Victorians or New South Welshmen. Australia's water scarcity problem also requires that we measure our water resources and our usage of them far more accurately. You cannot manage what you cannot measure.

At the moment in Australia, water information is dispersed across more than 100 agencies and to facilitate more accurate and timely water decisions, I announce today that a sum of \$480 million will be invested in a significant upgrade in the role of the Bureau of Meteorology. And that will provide comprehensive water resource assessments, rigorous and nationally-consistent water usage measurements, greatly improved access to water information and much greater independence and transparency.

Armed with better information, we will be able to make sensible long-term decisions for future land and water use, and not for the first time in our history, water scarcity in southern Australia has spurred interest in further developing the water resources of northern Australia.

Queensland alone has about 45 per cent of Australia's surface run-off, and most of this originates north of the Tropic of Capricorn. Water is also concentrated in the north in the Northern Territory and Western Australia.

I intend therefore to establish a special Taskforce chaired by Senator Bill Heffernan to examine the potential for further land and water development in northern Australia. This work will be informed by a Northern Australia Land and Future Water Assessment. A key focus will be identifying the capacity of northern Australia to play a larger role in agriculture in the decades to come.

We must also improve the management of existing northern water resources and in particular, the Great Artesian Basin. The current phase two capping programme through to 2009 will see 60 per cent of all bores capped and 75 per cent of all drains replaced.

Today I announce that the Government will commit to phase 3 so as to complete the restoration of the Great Artesian Basin. Consistent with current arrangements, we will seek a commitment from participating states to joint funding.

With the exception of Perth, none of our large mainland cities has invested in significantly augmenting their water supplies for several decades. In some cases,

Brisbane and Sydney, for example, decisions to build new dams were cancelled and then nothing else was done. Rather than investing in new infrastructure, state and local government have elected instead to constrain demand by imposing water restrictions.

This strategy was successful in preserving the cash flow of government-owned water utilities which enabled them to continue to pay large dividends to their owners, but the continuation of the drought has shown that strategy to be a foolhardy one. Permanent water restrictions should be no more acceptable in our great cities than electricity rationing. In several cities we are starting to see a scramble to build new water infrastructure be it recycling, desalination or new dams.

While the case for Commonwealth involvement in interstate water systems is a compelling, indeed overwhelming one, it is less obvious that the Commonwealth should be directly involved in the provision of urban water. The truth is that all of our cities are able to afford as much water as they need.

Of the \$2 billion Australian Government Water Fund, close to \$900 million has already been committed to important water projects. We are currently considering on their merits all of the major state projects for which Commonwealth finance from the Water Fund has been sought, but they must meet appropriate criteria, including proper pricing strategies.

And consistent with the criteria already specified, it is not unreasonable, as a condition of funding, that urban water utilities invest appropriate amounts in infrastructure rather than being constant revenue streams for their parent governments.

The fact that today the Commonwealth has offered to assume responsibility for a problem created entirely on the watch of state governments around Australia, namely the over-allocation of water in the Murray-Darling Basin, gives Australia's largest states in particular, significant capacity to focus their resources on urban water problems.

Ladies and gentlemen, today I have outlined the biggest and most costly and boldest plan to tackle Australia's rural water challenge. 70 per cent of Australia's water is consumed in rural Australia. We cannot solve the problems unless we do two things. We invest heavily and on an unprecedented scale in irrigation infrastructure, both on and off farm and we have the courage as well as the financial commitment to tackle the problem of over-allocation. The plan I have outline today is detailed, it is costed. It has been in preparation for some time, it represents a fundamental response to the greatest environmental challenge of our time and that is of water security.

It is conditional upon improving the governance arrangements. But we do not come to this debate unwilling to commit the financial resources of the Commonwealth. Those financial resources are available because, let me remind you, in a sense concluding where I began, they are available because of the sound economic management of the past decade which have taken this country out of debt, into surplus, which has delivered us the most consistently strong economy that we've had since World War II, a generationally low level of unemployment and a sense that optimism and hope that about the future that imbues the whole country.

Tackling Australia's water security is an immense challenge. It requires a comprehensive, bold plan. It requires a commitment of resources and above all requires people to think as Australians above any other parochial identification or consideration. I commend this plan not only to you and to my fellow Australians, but I commend this plan to all of those around the nation who have responsibility in government. This is our great opportunity to fix a great national problem. It can only be solved if we surmount our parochial differences, it can only be realised if, above all, we think as we should on the eve of Australia Day, overwhelmingly as Australians. Thank you.



# **A NATIONAL PLAN FOR WATER SECURITY**

**25 January 2007**

# A NATIONAL PLAN FOR WATER SECURITY

## FOREWORD

The drought which now grips large parts of Australia is the most severe since records began.

It has taken a drastic toll on the lives and livelihoods of many Australians.

Whether in the city or in the bush, communities are understandably anxious about water, concerned about getting through our present difficulties, and worried about what the future might hold.

In the face of this protracted drought and the prospect of long-term climate change we need a radical and permanent change in our water management practices.

That is why I am proposing a \$10 billion, 10 point plan to improve water efficiency and address over-allocation of water in rural Australia.

The Plan includes:

1. a nationwide investment in Australia's irrigation infrastructure to line and pipe major delivery channels;
2. a nationwide programme to improve on-farm irrigation technology and metering;
3. the sharing of water savings on a 50:50 basis between irrigators and the Commonwealth Government leading to greater water security and increased environmental flows;
4. addressing once and for all water over-allocation in the Murray-Darling Basin;
5. a new set of governance arrangements for the Murray-Darling Basin;
6. a sustainable cap on surface and groundwater use in the Murray-Darling Basin;
7. major engineering works at key sites in the Murray-Darling Basin such as the Barmah Choke and Menindee Lakes;
8. expanding the role of the Bureau of Meteorology to provide the water data necessary for good decision making by governments and industry;
9. a Taskforce to explore future land and water development in northern Australia; and
10. completion of the restoration of the Great Artesian Basin.



Implementation of the Plan will benefit millions of Australians.

Its success relies on an acceptance by state and territory governments that a problem of this magnitude can only be solved if we work together as Australians.

The \$10 billion plan I have outlined will only work if the governance arrangements for the Murray-Darling Basin are placed on a proper national footing. The proposal is conditional on this occurring.

Water scarcity is a major national challenge and there will be other challenges we must confront in the years to come. However, with the resilience, adaptability and boldness Australians have shown in the past, they can be overcome.

A handwritten signature in black ink, reading "John Howard". The signature is written in a cursive, flowing style with a large initial 'J'.

The Hon John Howard MP  
Prime Minister

25 January 2007

## A NATIONAL PLAN FOR WATER SECURITY

The severity of the drought in south eastern Australia has underscored the importance of making the best use of our water resources.

The water resources of the Murray-Darling Basin (MDB) - traditionally the breadbasket of the nation - are significantly over-allocated. State and territory governments have in a number of catchments issued more entitlements to water than can be supplied on a sustainable basis.

The CSIRO predicts that in coming decades, average inflows to the MDB will decrease even further. There is emerging evidence of a steep reduction in rainfall, which will reduce inflows into storages. Bushfires and the unregulated growth in farm dams, bores and reforestation are all reducing available water resources.

While a number of these risks can be managed through improved planning and compliance regimes, some cannot be controlled. We must therefore address both existing over-allocation as well as face up to the likelihood of reduced inflows in the future. We must adapt by reducing the use of water, and use what we have more efficiently.

At a time when the imperative for more efficient water use is clear, the nation's largest water user - the irrigation sector - faces uncertainty and a difficult outlook for infrastructure investment.

The National Plan for Water Security (the Plan) outlined below is a bold, new approach designed to ensure rural water use is placed on a sustainable footing within the next decade. It builds on work begun under the Living Murray Initiative and the Australian Government Water Fund. The Commonwealth Government will invest \$10 billion over 10 years to significantly improve water management across the nation. There will be a special focus on the Murray-Darling Basin Commission (MDBC), where the bulk of our agricultural water use takes place.

The Plan will put irrigators on a more sustainable basis nationally by providing them with incentives to adopt more modern and efficient practices, resulting in greater efficiency and flexibility.

The Plan substantially addresses over-allocation in the MDB with the objective of putting the MDB back on a sustainable track, significantly improving the health of the rivers and wetlands of the Basin, and bringing substantial benefits to irrigators and the community alike.

It proposes new governance arrangements for the MDB to ensure decisions affecting it are made promptly and with a Basin-wide perspective.

The Plan will greatly improve our understanding of water resources nationally, including in northern Australia, and lay the groundwork for more timely decision making in the future.

The Plan will also accelerate the implementation of the National Water Initiative (NWI), which is the blueprint for water reform nationally. The Plan offers concerted action on issues important to all Australians.

A properly functioning MDB makes a significant contribution to the nation.

More broadly it will help ensure irrigated agriculture across Australia is sustainable. By working in tandem with the Plan, risk sharing arrangements under the NWI will make certain that the MDB is kept on a sustainable footing.

### **Modernising Irrigation**

A cornerstone of the package is a commitment of almost \$6 billion over 10 years to modernise irrigation infrastructure both on- and off-farm to save water and increase efficiency of water use. This will lead to more efficient, productive and profitable use of water with a view to maintaining the value of irrigated production in the face of declining water availability.

Key actions include:

- piping or lining channels and adoption of more efficient watering methods to achieve on- and off-farm efficiency gains;
- the adoption of more accurate water meters to improve measurement; and
- improving river operations and storage management, for example, by reducing evaporation at some storages in the lower MDB.

While individual irrigators and water providers respectively will be asked to contribute to the on- and off-farm efficiency savings projects and to metering, they will be able to keep half of the water savings.

### **Addressing Over-allocation**

Under the Plan, the Commonwealth Government will invest up to \$3 billion over 10 years to address over-allocation in the MDB. Planned in conjunction with the modernisation programme, this will be achieved by providing assistance to irrigation districts to reconfigure irrigation systems and retire non-viable areas (such as those at the end of isolated channels or in salt affected areas).

Assistance will be provided to help relocate non-viable or inefficient irrigators, or help them with exiting the industry. Where necessary, entitlements will also be purchased on the market.

Water that accrues to the Commonwealth Government through these measures will be managed to restore the health of the rivers and wetlands in the MDB. The counter-cyclical nature of environmental watering will also allow some water to be made available to irrigators during dry periods.

## **New Governance Arrangements in the MDB**

New governance arrangements are needed for water management in the MDB, to ensure that the benefits of the Plan are not undermined by poor decisions in future. Existing arrangements centring on the MDB Agreement and the MDB Ministerial Council are unwieldy and not capable of yielding the best possible Basin-wide outcomes. One government needs to take control and be responsible for water management in the MDB to ensure key Basin-wide outcomes are realised.

The Commonwealth Government will seek the agreement of New South Wales (NSW), Victoria, Queensland, South Australia and Australian Capital Territory (ACT) governments to transfer all their powers in relation to the Murray-Darling Basin Commission (MDBC) to enable the Commonwealth Government to oversight water management in the MDB.

In the interests of the efficient operation of the major river systems of the southern MDB (the Murray, the Murrumbidgee and the Goulburn Rivers) the Commonwealth Government will also seek the transfer of powers from Victoria and NSW respectively to allow it to manage and operate the Goulburn River and Murrumbidgee River. This will allow the new Commission to operate the key rivers in the southern MDB in an integrated way.

Under this proposal, the Commonwealth Government will reconstitute the MDBC as a Commonwealth Government agency reporting to a single minister. The new Commission would have responsibility for setting a sustainable cap on the extraction of surface and ground water within the Basin, and accrediting catchment and aquifer water plans to ensure they comply with that cap.

These new arrangements are expected to cost an additional \$600 million over 10 years.

This is a key element of the Plan, without which its overall objectives will not be realised. The whole Plan is therefore contingent on state and territory governments' agreement to this proposal. The Prime Minister will be writing to the Premiers of NSW, Victoria, Queensland, South Australia and the Chief Minister of the ACT within two weeks to detail the proposal.

## **Upgrading Water Information**

As water becomes more scarce and subject to greater demands, it is imperative that we can accurately measure and monitor the resource and its use. This applies equally at the national and basin scales, as well as for individual farms.

A national capacity for water data and forecasting services using common systems and standards is a priority. This will involve establishing new capacity in the Bureau of Meteorology (the Bureau) and will provide an improved basis for making informed policy decisions and judicious infrastructure investments. Critically, they will also enable us to evaluate progress being made in water

reform. The Commonwealth Government will put in place legislation for data collection and reporting standards which will be mandatory across the nation. This proposal will cost \$480 million over 10 years.

### **Northern Australia**

Much attention has recently been focused on the potential for water resource development in northern Australia. It is important that any development proposals are sustainable and based on the best information available. To this end, the Commonwealth Government will establish a Taskforce chaired by Senator the Hon Bill Heffernan to examine the potential for further land and water development in northern Australia. This will be informed by a Northern Australia Land and Water Futures Assessment.

### **Great Artesian Basin**

Finally, the Commonwealth Government will commit to funding the third and final phase of the successful bore-capping and piping programme in the Great Artesian Basin (GAB). It will seek ongoing commitments from participating state and territory governments and pastoral bore owners.

This proposal will cost around \$85 million over 10 years.

The key elements of the Plan are outlined in more detail below.

An outline of proposed expenditure is at Attachment A.

## **MODERNISING AUSTRALIA'S IRRIGATION INFRASTRUCTURE**

In an average year irrigated agriculture uses 14,000 gigalitres (GL), which is about 70 per cent of all water use in Australia. However, this water is not used as efficiently as it could be:

- between 10 and 30 per cent of the water diverted from rivers into irrigation systems is lost before it reaches the farm gate;
- up to 20 per cent of water delivered to the farm gate may be lost in distribution channels on-farm and around 60 per cent of water used for irrigation on farms is applied using high volume, ineffective gravity irrigation methods;
- more than 10-15 per cent of water applied to crops is lost through over watering, whereas scheduling tools and observational data could more precisely match water application to crop water requirements; and
- inaccurate measurement of water diversions from rivers and water use on farms is leading to unintentional and intentional over use.

Declining water availability and riverine health demand a dramatic improvement in the efficiency, productivity and sustainability of water use.

### **The Proposal**

The Commonwealth Government will invest \$5.9 billion over 10 years to modernise Australian irrigation. While national in scope, the prime focus will be the MDB, where 85 per cent of irrigation takes place. Working with our delivery partners, we aim to achieve efficiency gains of around 25 per cent of total irrigation water use. This programme will generate water savings of over 3,000 GL per year, with over 2,500 GL per year saved in the MDB. Water savings will be shared 50 per cent with irrigators to help meet the challenge of declining water availability, and 50 per cent to address over-allocation and sustain river health.

Our investments will help to increase yields and profitability by stimulating the adoption of technology to better match water application to plant needs. Added benefits of this transformation will be significant savings in labour costs and time through remote or automated control of previously manual tasks. These interventions will sustain the viability of rural communities and the health of rivers and groundwater resources, particularly in the MDB.

The proposed modernisation programme has four inter-related elements.

#### ***Improving delivery system efficiency***

The Commonwealth Government will work with irrigation water providers to lift the delivery efficiency of distribution systems from the current average of 75 per cent to a new benchmark of 90 per cent. Funding of \$70 million will be provided to conduct an assessment to identify the 'hot-spots' where losses occur, and enable targeting of works. This will be followed by a \$3 billion works programme, comprising piping,

channel lining, and system automation, estimated to save up to 1,500 GL per year. Irrigators will need to contribute an additional \$750 million to this programme to share 50 per cent of the total water savings achieved. This programme will require the reconfiguration of irrigation systems and the retirement of unviable parts of irrigation schemes. The Plan provides structural adjustment assistance in support of this objective.

### ***Improving on-farm irrigation efficiency***

Commonwealth Government incentives of \$1.5 billion will stimulate private investment to convert up to 1 million hectares of irrigated farm land to modern irrigation methods. Water savings of about 1,200 GL will be shared with irrigators.

By way of example, conversion from flood irrigation to centre pivot irrigation on a dairy farm can provide savings of around 3 megalitres (ML) per hectare. Laser levelling and associated works to improve rice layouts can provide savings of 1.5 ML per hectare.

The Commonwealth Government will provide \$15 million to develop information tools to help irrigators calculate more precisely how much water to apply and when to meet plant needs. These will include improved seasonal water forecasting models, informed by real-time satellite information on evapotranspiration rates and soil moisture conditions.

### ***More accurate metering and monitoring***

Mandatory national metering standards for in-field accuracy of  $\pm 5$  per cent will be introduced so that water diverted for irrigation more accurately matches entitlements. Around 700 GL can be saved by improving the accuracy of meters and reducing over use. The Commonwealth Government will provide \$125 million to upgrade bulk off-takes, and \$225 million to upgrade farm off-takes to meet national metering standards. Irrigators will be required to contribute half the cost of farm off-takes, and will benefit from remote control, higher flow rates, and the ability to apply water more precisely to crops. The Commonwealth Government will invest \$200 million in telemetry and data systems to allow remote reading of meters and real-time data for better monitoring of flow-based water extractions. The Commonwealth Government will also provide \$50 million to cover half the cost of introducing metering for stock and domestic users in priority catchments.

### ***Improving river and storage operations***

The Commonwealth Government will invest up to \$500 million in practical projects to improve the efficiency and effectiveness of river operations and storages in the MDB. Key areas for consideration will include reducing evaporation losses from Menindee Lakes on the Darling River and bypassing the Barmah Choke on the Murray River. Viable projects will be jointly funded by the Commonwealth Government with state and territory governments. Further investigations will be undertaken to identify the

potential to reduce losses in other locations. It is anticipated that at least 200 GL can be saved.

Some of the water that is lost by inefficient irrigation systems drains away from the surface or seeps into groundwater systems and often returns to rivers downstream. These 'return flows' have been taken into account in the calculation of net savings because they are reduced by more efficient irrigation systems. It is important to note that 'return flows' are often unhelpful to the environment because of their timing or because they result in greater movement of salt into rivers. The additional water secured for the environment in these measures will be able to be managed at a time, in volumes and at locations, where it can deliver the greatest benefit.

### **Stakeholder Obligations**

To participate in the delivery system efficiency upgrade programme, irrigation water providers will be required to develop a system modernisation plan for their scheme and to monitor and evaluate implementation activities to ensure actual water savings are achieved.

Irrigation water providers will also be required to accelerate implementation of the NWI by meeting mandatory metering standards and information provision. They will be required to establish transparent water delivery charging regimes that ensure the long-term operation of infrastructure and remove any remaining barriers to trade. The Commonwealth Government's expectation is that they will adopt the Australian Competition and Consumer Commission recommendations in relation to Exit Fees and waive any such fees on transfers of water entitlements to the Commonwealth Government.

Irrigators will need to have or obtain a meter compatible with national metering standards. To participate in the Commonwealth Government's on-farm water savings programme, irrigators will be required to develop water efficiency plans accredited by agreed delivery partners. Expenditure receipts will be required for payment.

State and territory government agencies will be expected to improve compliance and enforcement of licence conditions and to make all metering and monitoring data freely available to the Bureau.



## **ADDRESSING OVER-ALLOCATION IN THE MURRAY-DARLING BASIN**

There is increasing evidence that the water resources of a number of catchments and aquifers within the MDB are seriously over-allocated and over-used. These are related but different terms. *Over-allocation* is where more entitlements have been issued in a system than can be sustained. *Over-use* is where more water is allocated to irrigators or other users within a given period than can be sustained. This situation has arisen as a result of past decisions by state and territory governments to issue more entitlements than can be delivered by water systems, and by a failure in water sharing plans to set the pool of water available for consumption at sustainable levels.

Exacerbating this problem is the realisation that water availability to irrigators in the MDB is declining because of climate change and the unregulated growth in farm dams, bores and reforestation. These changes have already eroded the security of water entitlements, making it harder for irrigators to manage their enterprises in times of drought.

The NWI sets out the arrangements by which state and territory government water plans for catchments and aquifers should be developed, including making substantial progress in addressing over-allocation and over-use by 2010. On current trajectories, this objective is unlikely to be met without a significant intervention.

If over-allocation and over-use in the MDB are not addressed now, irrigators and other water users will find it very difficult to adjust to the expected future declines in river inflows. Investment will be seriously undermined, and river health, the environment and other public amenity values will be severely impacted, undermining the Basin's productivity.

By acting now, there is an opportunity to properly reset the water sharing plans for individual valleys and aquifers in the MDB on a sustainable footing as intended by the NWI. By acting now, we can put irrigators and MDB communities on a more confident and environmentally sustainable footing to face the challenges ahead.

### **The Proposal**

The Commonwealth Government intends to tackle the over-allocation problem in the MDB head-on.

We will begin by establishing a definitive understanding of the level of over-allocation and over-use in the Basin. This will be achieved through the MDB Sustainable Yields Assessment, recently commissioned by the Prime Minister and MDB State Premiers. CSIRO will provide initial estimates for the first set of catchments in the Basin by end March 2007, and deliver final results by the end of 2007.

Our investments in modernising irrigation system infrastructure will achieve considerable water savings and mitigate against the over-allocation problem. However, more must be done.

We will work with irrigation water providers to identify parts of irrigation schemes that are unviable or not cost-effective to refurbish. These are likely to be located at the extremes of some schemes and on salt-affected soils and aquifers.

We are prepared to invest up to \$3 billion in buying back water entitlements and assisting irrigators in the unviable or inefficient parts of schemes to exit the industry.

The Commonwealth Government will manage the accrued water savings to achieve environmental outcomes, with the possibility of making water available to irrigators when this is not in conflict with environmental needs.

New Commonwealth Government investments in water information will enable us to keep a close watching brief on changes to Basin inflows, providing advance warning of any future adjustments in allocations that might be necessary. Future adjustments beyond 2014 would be based on the risk sharing principles in the NWI.

### **Ensuring Over-allocation Does Not Recur**

To preserve the integrity of the entitlement system, we will ensure:

- future allocations across the MDB are based on realistic assessments of the sustainable level of extraction (informed by future risks such as reduced rainfall from climate change);
- the availability of credible information on the water resource, using the same best-practice hydrological model throughout the MDB;
- an effective metering, monitoring and compliance system is put in place;
- water sharing plans account for the effects of all water users including irrigation, farm dams, bores and reforestation; and
- the operation of the water market will assist with further adjustment.

## **REFORMING MANAGEMENT OF THE MURRAY-DARLING BASIN**

The MDB is of national significance economically, socially and environmentally, with water management central to the prosperity of the Basin. The Basin spans parts of four states and all of the ACT, covering an area of over one million square kilometres (14 per cent of Australia) and is home to over two million people. A further one million people outside the Basin are reliant on its water. The land and water resources of the MDB are of enormous economic significance to the nation, especially in areas such as agriculture and tourism.

The existing mechanism for the management of the Basin is the MDBC. While the current arrangements have made some substantial contributions to Basin-wide water management over the decades, the shortcomings of the current model are of concern to the Commonwealth Government and, indeed, many others.

The decisions taken by the MDBC often reflect parochial interests and do not reflect the best interest of the Basin as a whole. Examples include:

- failure to align water management with the NWI in the areas of water trading, over-allocation and pricing;
- lack of Basin-wide information has led to inefficiencies in management and decision making. For example, a Basin-wide register of water entitlements, and integrated water data systems have not been developed;
- 12 years after introducing a cap of water use, Queensland and the ACT ignore it and NSW is regularly in breach;
- the MDBC has known for several years that the cap on diversions needs to be reduced and include groundwater to be effective, but this has not been achieved;
- activities in one state or territory that cause problems in another can still take place without sanction leading to redistribution of economic and environmental wealth without an overarching management framework;
- consensus-based decision making of the MDBC means that difficult decisions are often avoided or delayed; and
- widely distributed responsibilities for the management of the Basin have led to inefficiency, blame-shifting and under-resourcing by state and territory governments.

### **The Proposal**

It is in the national interest to secure the long-term economic and social returns to the Australian community afforded by sustainable access to the Basin's water resources. This can only be achieved through:

- significant investments in water saving infrastructure;
- new investments in water resource monitoring and water use metering;

- addressing the over-allocation problem via entitlement purchases and structural adjustment; and
- reforming the decision making processes in the Basin.

It is critical that all four strategies are implemented together.

The Commonwealth Government will request the referral of state and territory powers to enable it to manage the MDB in the national interest.

The Commonwealth Government will seek the agreement of NSW, Victoria, Queensland, South Australia and ACT governments to transfer all their powers in relation to the MDBC to enable the Commonwealth Government to oversight water management in the MDB.

To enable system operation efficiencies in the southern Basin and to secure improved environmental outcomes there, the Commonwealth Government will also request that NSW and Victoria transfer powers to manage the Murrumbidgee and Goulburn valleys, along with the Murray Valley already managed by the MDBC. The Commonwealth Government will operate an integrated water allocation system for these interconnected valleys. It will also establish an environmental manager function for the southern Basin to maximise the benefits of environmental water allocations to our iconic river and wetlands.

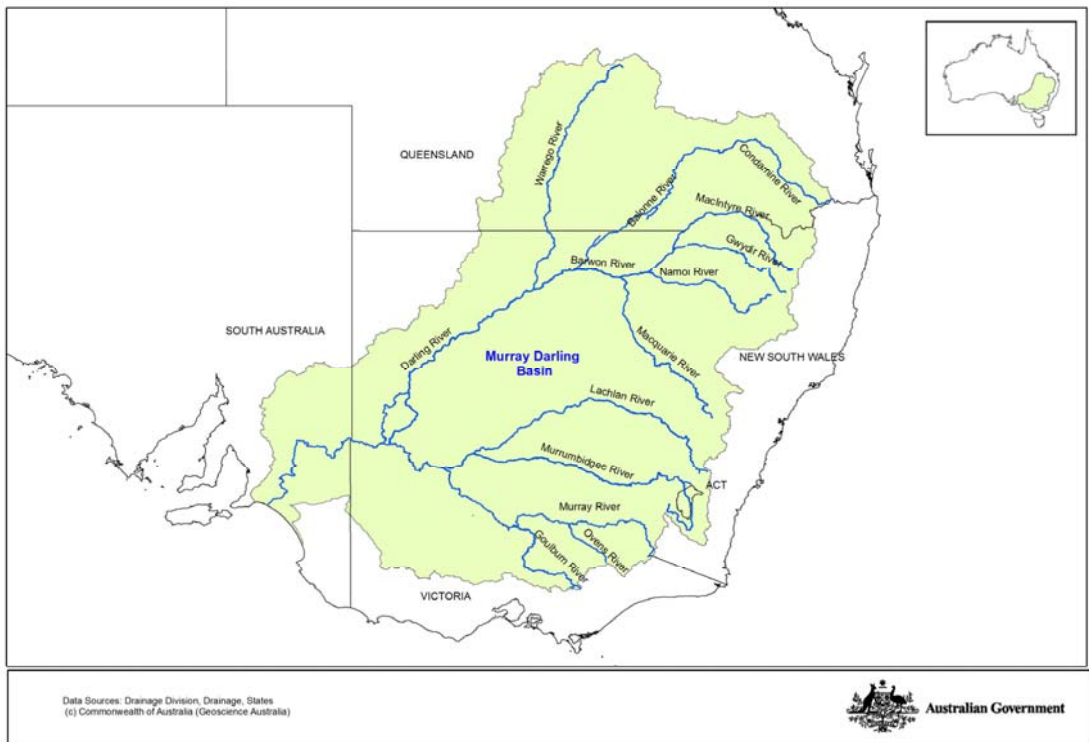
We propose to reconstitute the MDBC as a Commonwealth Government agency, reporting to a single minister. We will set a new strategic plan for the Basin, incorporating a revised cap on diversions, taking into account for the first time groundwater use and other factors that will reduce river inflows in the Basin in the future. The Plan will be informed by the 2007 Murray-Darling Basin Sustainable Yields Assessment being undertaken by CSIRO on behalf of the Prime Minister and MDB State Premiers. Our significant new investments in water information will ensure that the best available data is presented to water managers from now on.

Water sharing plans for each valley in the Basin will have to be revised to satisfy new planning specifications, which will be enacted through new Commonwealth Government legislation. Each plan will need to conform with the revised Basin cap and make provision for the impacts of future climate change and flow interception activities such as farm dams and plantation development. Commonwealth Government assistance through the over-allocation and infrastructure components of the Plan will help water users in the Basin to adjust to the revised cap.

Commonwealth Government leadership in managing the MDB, supported by our considerable investments in irrigation and river system infrastructure, water information and entitlement purchases will guarantee a brighter future for the Basin.

The responsibility to react decisively to rapidly changing circumstances will be clear and Basin livelihoods will be protected and assisted to adjust to changed circumstances.

# Murray-Darling Basin



## NEW INVESTMENTS IN WATER INFORMATION

You can't manage what you don't measure.

Improved water resource measurement, water usage metering and comprehensive water accounting are cornerstones of the NWI.

Australia's worsening water scarcity problem, exemplified by the crisis in the MDB demands that we deepen and accelerate reform on these cornerstone elements.

Nowhere is the need greater than in the MDB where multiple jurisdictions sharing a common resource, and one that is rapidly diminishing because of over-allocation and declining river inflows. Nowhere is there a greater need to properly account for all uses and losses of water and to forecast future water availability with much improved accuracy.

Regrettably, Australia's water information base is in poor shape and deteriorating because of diminishing state and territory investments and gross inefficiencies in the way that water information is managed across more than 100 different water data collecting agencies nationwide. We must do better.

Nationwide, and particularly in the MDB –

- It has not been possible to conduct timely, rigorous and independent assessments of water resources, seriously impeding the ability to forecast future water availability and make wise water allocation decisions.
- The lack of accurate measurement has made it impossible to estimate how much water is being diverted to irrigation and being used on farms, and how much is being lost or wasted.
- The lack of transparency, independence and rigour in managing water information has eroded community and business confidence in water management across Australia.

### **The Proposal**

By providing leadership and \$480 million in new investment, the Commonwealth Government will transform the coverage, quality and utility of Australia's water information base. It will extend the role of the Bureau, to perform the following functions:

- hold and manage all of Australia's water data;
- report on the status of Australia's water resources, patterns of water use and forecasts of future water availability;
- maintain a comprehensive set of water accounts for the nation;
- set national standards for water use metering and hydrologic measurements;
- influence and support state-based investments in water monitoring and water use metering programmes; and
- commission strategic investigations and procure special data sets to enhance our understanding of Australia's water resources.

The Commonwealth Government will allocate funding of \$400 million over the next 10 years to enable the Bureau to undertake these new functions. Over the next five years, an additional \$80 million will be allocated to enable water data collecting agencies to modernise and extend their water resource monitoring systems. In return, these agencies will be expected to maintain a specified level of monitoring into the future.

The Bureau's new water information responsibilities will be delivered through four key programmes. This national initiative will initially focus on the MDB. The four programmes are:

### ***Modernisation and extension programme***

The Bureau will assist water data collecting agencies to modernise and extend their streamflow, groundwater monitoring and water storage measurement networks, enhancing their accuracy and permitting real-time data transfer to the internet. Complementary funding assistance of \$621 million is provided for greatly enhanced water usage metering under the modernising irrigation element of the Plan.

### ***Information management and reporting programme***

The Bureau will maintain a national database and web-based reporting system for all water information (Australian Water Resources Information System - AWRIS). This will include maintaining a national water account and managing all of the information yielded from Australia's enhanced water use metering programme, announced in a separate part of the Plan. The Bureau will develop national standards for monitoring, metering and water accounting, building upon the work initiated under the NWI.

### ***Analysis and forecasting services***

These services will enable analysis and interpretation of national water information and provide forecasting services. The Bureau will undertake most of the work on annual/bi-annual water resource assessments (including water accounting), mandated by the NWI. It will also be responsible for resolving disagreements on technical definitions such as *sustainable yield* and *river health*.

### ***Investigations programme and strategic data procurement***

The Bureau will commission investigations into strategic water information needs such as the Murray-Darling Basin Sustainable Yields Assessment, recently commissioned by the Prime Minister and MDB State Premiers. In addition, each year the Bureau will procure various spatial data sets, such as satellite data coverages, in support of its assessment and forecasting activities.

The outputs from the Bureau will provide an improved basis for making informed policy decisions and judicious infrastructure investments. Critically, they will also

enable us to evaluate progress being made in water reform. This will engender greater community and business confidence in water management.

Users of water information need a vastly better product in terms of quality, depth and timeliness. Water resource information is best delivered to stakeholders by a single and highly-equipped provider. The Bureau will provide a higher level of data integration, analysis and forecasting services than is currently available via existing state and territory systems which are fragmented and under-resourced.

The activities of the Bureau will be independent and transparent, removing any perception of vested interest or bias in reporting and enabling an immediate step change in the accessibility of water information.

### **Stakeholder Obligations**

The Commonwealth Government will require all water data collecting agencies (public and private) to:

- maintain a specified standard and level of monitoring and metering, to be negotiated with the Bureau;
- share all of their existing water data assets with the Bureau and transfer all new data to the Bureau as it is collected;
- commit to the principle of a single national water information system (incorporating a national water account), to be managed by the Bureau;
- contribute some of the cost of modernising and extending their measurement networks, to be negotiated with the Bureau; and
- meet the full cost of maintaining their measurement systems, including periodic calibration costs, and system modernisation costs beyond 2012.



## **NORTHERN AUSTRALIA**

While we go about repairing damage and adapting to new conditions in the south, we must also look to the north. We have important water resource and environmental assets there which must be sustained. However, there is also opportunity for the further development of northern land and water resources and we must understand how to do that wisely.

Future and ongoing development of northern Australia's land and water resources must take place in a strategic framework that is ecologically, culturally and economically sustainable, which will ensure that schemes are consistent with the principles of the NWI. This is critical if the widespread problems that have arisen from land and water resources development in southern Australia are to be avoided. There is a knowledge gap in the north that must be filled.

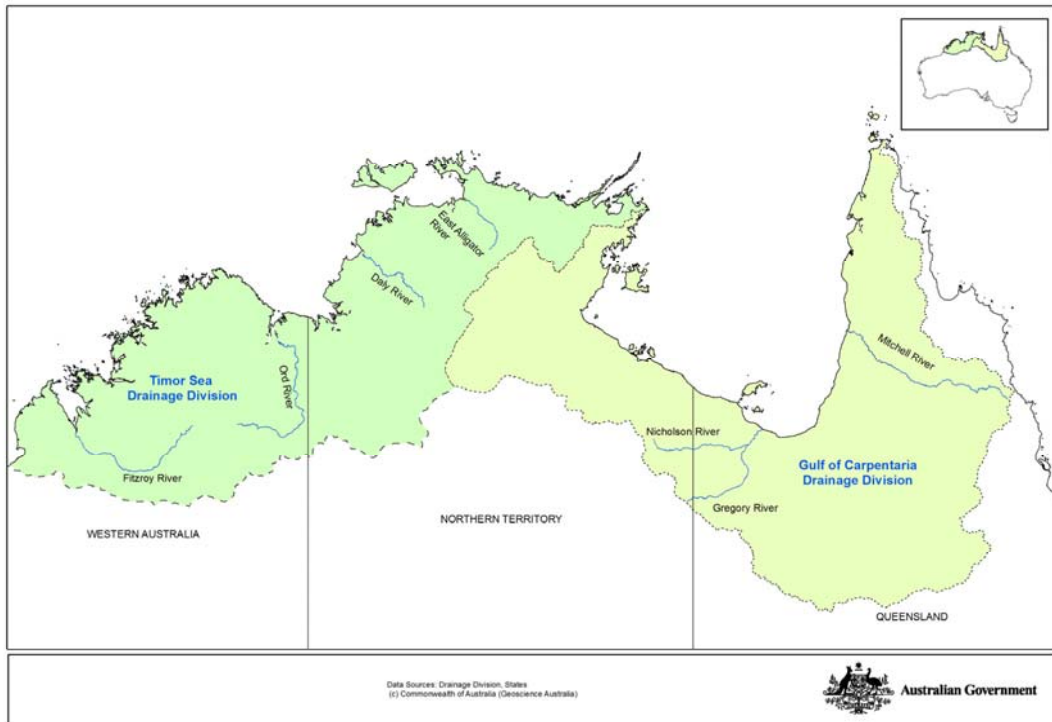
### **The Proposal**

The Commonwealth Government will establish a Taskforce chaired by Senator the Hon Bill Heffernan to examine the potential for further land and water development in northern Australia. This will be informed by a Northern Australia Land and Water Futures Assessment.

For each of the key basins in northern Australia, the assessment will identify the key ecosystems, community and indigenous assets and their watering needs to ensure they are sustained into the future. Recommendations, consistent with the principles of the NWI, will be made concerning the ability of each basin to support increased consumptive use.

The assessment will draw on analyses to be provided by resource management agencies, consultants and research bodies and will incorporate findings from investigations programmes already in progress. Submissions will be sought from industry and community groups. Commencing in 2007, reports will be regularly provided to governments and key stakeholders, with a final report no later than June 2012. Funding will be \$20 million over five years from the Australian Government Water Fund.

# Northern Australia



## **GREAT ARTESIAN BASIN**

The Great Artesian Basin (GAB) is one of Australia's most significant water resources. Uncontrolled flow from bores and open earthen bore drains in the GAB threatens continued access to artesian water by pastoralists and the health of important groundwater-dependant ecosystems. In recent years, the repair of uncontrolled bores and replacement of bore drains ('capping and piping') has allowed improved farm and environmental management, and provided for new higher value uses of the groundwater resource. However, the job is not finished.

### **The Proposal**

The Great Artesian Basin Sustainability Initiative has been supported by Commonwealth Government investment since 1999, with further investment, phase 2, committed to 2009. It is already clear that phase 2 will not cap and pipe as many bores as planned due to increased costs and the impact of drought on the ability of landholders to contribute to the costs. It is estimated that 60 per cent of all the bores will have been capped and 75 per cent of the drains replaced by the end of phase 2.

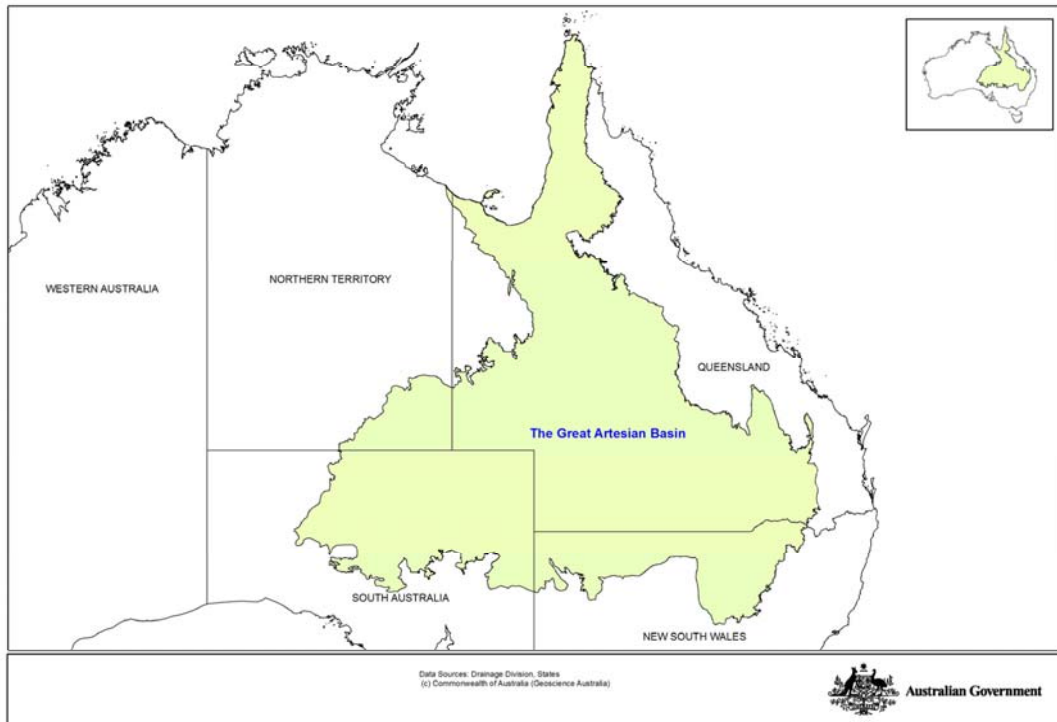
The Commonwealth Government will fund a third phase of the Great Artesian Basin Sustainability Initiative that takes the management of the GAB's water resources forward, consistent with the principles of the NWI. While works under the Great Artesian Basin Sustainability Initiative have already saved water and improved groundwater pressure, phase 3 will establish an agreed minimum pressure surface target for the GAB, together with a deadline for all bores to be capped and piped. Priority will be given to capping and piping the remaining higher-flowing bores and those that affect public values (such as mound springs), and with legal remedy for bores that are not capped.

Funding from the Commonwealth Government for Great Artesian Basin Sustainability Initiative phase 3 will be set at \$85 million. This additional contribution (over phase 2) recognises the increased cost of materials and the greater scope of activities to be undertaken. This intervention will make a major contribution to the sustainability of the GAB.

### **Stakeholder Obligations**

As part of the Great Artesian Basin Sustainability Initiative Phase 3, the Commonwealth Government will require the establishment of proper entitlements, pricing regimes, water use metering and reporting for all GAB bores. We will also seek improved land and water management practices on the part of individual landholders. As in previous phases of the Great Artesian Basin Sustainability Initiative delivery arrangements will be set through Commonwealth Government Guidelines and Intergovernmental Agreements (including agreement to an agreed minimum pressure surface target for the GAB), with matching investment required from state and territory governments and pastoral bore owners.

# Great Artesian Basin



## ATTACHMENT A

### A NATIONAL PLAN FOR WATER SECURITY

All figures in \$million  
 Costings over ten years

	TOTAL ADDITIONAL COST (\$m)
<b>MODERNISING IRRIGATION IN AUSTRALIA</b>	<b>5,885</b>
Delivery System Efficiency gains	3,130
On farm efficiency gains	1,635
Metering, monitoring and accounting	620
Improving river operations and storage	500
<b>ADDRESSING OVER ALLOCATION IN THE MDB</b>	<b>3,000</b>
Purchasing entitlements/structural adjustment	3,000
<b>REFORMING THE MDBC</b>	<b>600</b>
Set and administer a new cap	100
MDBC operations	500
<b>WATER INFORMATION</b>	<b>480</b>
Modernising and extension program	80
Information management and reporting program	120
Analysis and forecasting services	120
Investigations program and strategic data procurement	160
<b>NORTHERN AUSTRALIA &amp; THE GREAT ARTESIAN BASIN</b>	<b>85</b>
<b>TOTAL</b>	<b>10,050</b>



**PRIME MINISTER**

**\*\**Embargoed until delivery*\*\***  
**\*\**check against delivery*\*\***

25 January 2007

**THE HON JOHN HOWARD MP**  
**PRIME MINISTER OF AUSTRALIA**  
**ADDRESS TO THE NATIONAL PRESS CLUB,**  
**GREAT HALL, PARLIAMENT HOUSE**

EO&E.....

**A National Plan for Water Security**

Tomorrow we celebrate Australia’s unique blend of individual freedom, community spirit and national unity. In my Australia Day eve address last year I spoke about the sense of balance that has helped sustain our nation’s progress.

With undiminished faith in this country’s future, I want to focus today on one of our greatest national challenges – the quest for a secure, sustainable future for Australia’s water resources.

There is deep and understandable community anxiety about water.

Almost all our major cities are on water restrictions. Where we used to think of water police in boats, today they are being asked to peer over back fences.

The drought still gripping large parts of Australia is the most severe since records began. Its reach has been long and its toll merciless on struggling farmers, proud gardeners and a thirsty landscape.

Some years ago I began talking about water as Australia’s greatest conservation challenge. No other single substance has a greater impact on the human experience or on our environment.

For thousands of years, Aboriginal life on this continent revolved around water. On the eve of Australia Day, we recall that the choice of Port Jackson over

Botany Bay as the birthplace of British settlement was governed largely by the availability of fresh water.

The quest for reliable water supplies would shape the young colony's patterns of settlement and economic development. And in due course, Australians made landmark contributions to water management.

Before rising to national prominence, Alfred Deakin oversaw the first great wave of irrigation development as Victoria's Attorney General. Having studied water problems in the United States, he made sure that all Victoria's surface water was public property. The other Australian colonies followed suit.

Nothing, however, could change the basic facts of our continent – a low and highly variable rainfall, a relatively flat landmass and river systems without the size and energy found in the Northern Hemisphere. If not exactly destiny, hydrology surely mapped the frontiers of national ambition.

This was brought home by the Federation drought from 1895 to 1902, the event that led a young Dorothea Mackellar to pen her ode to a land 'of droughts and flooding rains'.

These lean years also cast their shadow over the nation-building work of those who framed our constitution. For much of last century, the configuration of water powers in our Federation appeared, if not ideal, at least not debilitating.

Coinciding with a wet climate cycle, the decades after World War II ushered in a new era of bold development. We built dams and irrigation schemes, more than doubled our population and forged lifestyles beyond the dreams of earlier generations.

In the process, however, we further intensified pressure on the nation's water resources. This led in the 1980s to growing concern about the health of our river and groundwater systems.

The other main problem, as Paul Perkins of the Barton Group has noted, is that: 'We stopped long-term water development planning but failed to apply appropriate resources to optimising our water efficiency systems'.

In the last decade or so, we've started to turn this around. Billions of dollars have been set aside for projects and for better water planning. The Australian Government's \$2 billion Australian Water Fund is leveraging major investments in every state.

Through the Living Murray Initiative, we are on the way to restoring six iconic environmental sites in our greatest river system. And with the National Water Initiative, a long-term framework is finally in place to increase the efficiency of water use, to service the needs of communities, and to return our river and groundwater systems to environmental health.

Despite this, the current trajectory of water use and management in Australia is not sustainable. In a protracted drought, and with the prospect of long-term climate change, we need radical and permanent change.

I regard myself as a climate change realist. That means looking at the evidence as it emerges and responding with policies that preserve Australia's competitiveness and play to our strengths.

There does appear to have been a contraction to the south in the weather systems which traditionally brought southern Australia its winter and spring rains.

Our rainfall has always been highly variable. The deviation around average rainfall is enormous. And it seems to be getting bigger.

We need to make every drop count – on our farms, in our factories and in our homes. Our water management systems must be more resilient and sustainable, geared not to a world of steady averages that rarely materialise, but to the variability that has been part of Australia's climate since time immemorial.

Water solutions will vary from place to place. The truth is, as I said in July last year, we have the capacity to drought-proof our large cities. What is needed is more investment, sensible pricing and an end to state governments using water utilities as cash cows.

Our water scarcity problems are bigger in rural Australia given the drought and unsustainable water use in many places.

Against this backdrop, I announce today a \$10 billion, 10 point plan to improve water efficiency and to address the over-allocation of water in rural Australia, particularly in the Murray-Darling Basin.

This plan includes:

1. a nationwide investment in Australia's irrigation infrastructure to line and pipe major delivery channels;
2. a nationwide programme to improve on-farm irrigation technology and metering;
3. the sharing of water savings on a 50/50 basis between irrigators and the Commonwealth leading to greater water security and increased environmental flows;
4. addressing once and for all water over-allocation in the Murray-Darling Basin;
5. a new set of governance arrangements for the Basin;
6. a sustainable cap on surface and groundwater use in the Basin;
7. major engineering works at key sites in the Murray-Darling Basin such as the Barmah Choke and Menindee Lakes;



8. expanding the role of the Bureau of Meteorology to provide the water data necessary for good decision-making by governments and industry;
9. a Taskforce to explore future land and water development in Northern Australia and
10. completion of the restoration of the Great Artesian Basin.

This 10 point plan opens a new chapter of national water management in Australia. It is a large investment, but also a prudent one, especially given the importance to Australia of the Murray-Darling Basin, and the scale of the water crisis there.

The Basin accounts for the vast bulk of irrigated agricultural production in Australia and roughly 85 per cent of our irrigation water use. It has a population of close to 2 million people, with another million in South Australia heavily dependent on the river system for water.

The last five years have been the driest in the Basin since records began. The sequence of seven failed autumn breaks has not occurred previously. As a result, the operation of the River Murray remains, in the words of the Murray-Darling Basin Commission, on a 'knife-edge'. In 2006, the inflows into the Murray were only 40 per cent of the previous all-time low.

Water security will remain an enormous challenge in the Basin. Indeed, it could worsen.

The CSIRO estimates that by 2020, average annual flows could decline by about 15 per cent due to climate change, recovery from bushfire, farm dam and plantation expansion and increasing use of groundwater.

For this plan to work there must be a clear recognition by all – especially by state and territory governments – that the old way of managing the Murray-Darling Basin has reached its use-by date.

The tyranny of incrementalism and the lowest common denominator must end.

I will therefore be writing to all relevant State and Territory Leaders requesting that they refer to the Commonwealth their powers of water management within the Murray-Darling Basin.

The \$10 billion plan I have just outlined will only work if the governance arrangements for the Basin are put on a proper national footing. The proposal is conditional on this occurring.

### **Modernising irrigated agriculture**

In a normal year, irrigated agriculture uses about 14,000 GL of water (roughly 70 per cent of all water use in Australia). Unfortunately, this water is not used as efficiently as it should be.

A huge amount (up to 30 per cent) is lost transporting the water, through leakage, seepage and evaporation. There are massive opportunities to save

water by strategic placement of new infrastructure and by more efficient on-farm use.

To increase the efficiency of water use and to maximise future water security, the Government will embark on the largest modernisation of irrigation infrastructure (both on and off-farm) in Australia's history.

At a cost of almost \$6 billion, works will include lining or piping of major delivery channels, improved metering and the installation of drip systems. When complete, these investments should save more than 3,000 GL of water – equivalent to an efficiency gain of more than 20 per cent in Australia's irrigated water use, or about 17 times Adelaide's annual water use.

This will deliver major improvements in water security and quality, helping both our farmers and our environment.

Many of our largest irrigation districts – such as Murray, Murrumbidgee and Goulburn-Murray irrigation areas – offer significant potential for water savings.

Districts such as the Burdekin in Queensland and Harvey Irrigation Area in Western Australia will also be able to significantly improve the efficiency of water use.

The new Minister for the Environment and Water Resources, Malcolm Turnbull, will call for specific proposals from industry peak bodies and irrigation companies to improve off-farm irrigation infrastructure. We will be looking for transformative proposals whereby irrigation distribution systems reach 90 per cent efficiency for water delivery.

The Commonwealth will contribute roughly \$3 billion to this phase of our plan, with irrigation companies expected to contribute about \$750 million. Fifty per cent of water savings will be retained by irrigators and 50 per cent held by the Commonwealth will go to enhancing water security and to sustaining river systems and wetlands.

It will not be economic to pipe or line all channels. As 80 per cent of seepage losses occur in less than 20 per cent of channels, we will target the leakiest hot-spots.

Increasing use of piped and pressurised systems will allow water to be used more efficiently when and where it is needed so as to cut overall demand. Remote monitoring and control of irrigation flows will reduce the amount of water that goes unaccounted for, making actual water usage more transparent.

We also need a radical transformation in on-farm water efficiency. At the moment, up to 20 per cent of water delivered to the farm gate may be lost in on-farm distribution channels. And roughly 10 to 15 per cent of water applied to crops is lost through over-watering.

The Australian Government will invest \$1.5 billion nation-wide to raise on-farm water efficiency. Farmers will be expected to provide significant contributions in order to achieve a step-change in on-farm technology.

This will raise the productivity of large parts of our farm sector through the ability to deliver water on demand and better match water application to crop needs.

A further \$225 million (matched by irrigators) will be invested in accurate meters at the farm gate to increase transparency of use within irrigation districts. More accurate metering and capture of data will improve water planning and management and make monitoring and compliance of licence conditions more effective. Conversion to remote monitoring and control of farm off-takes will also mean more accurate water delivery.

In order to accrue the benefits of this multi-billion infrastructure investment, farmers and irrigators will need to meet strict new conditions. These include:

- Full compliance with the objectives of the National Water Initiative;
- Acceptance of mandated metering standards, including the metering of all bores and a new metered regime for stock and domestic use in priority catchments; and
- Acceptance of an enforceable regime on the building of new farm dams.

To complement these measures, the Australian Government will invest a further \$500 million to improve the efficiency and effectiveness of river operations and storages.

This is especially important in the Murray-Darling Basin where large-scale engineering works are required to improve water use efficiency and water trading options.

At the Barmah Choke, for example, there is an urgent need to alleviate channel capacity constraints to enable more effective delivery of irrigation and environmental water. Greater water mobility will enhance the operation of water trading markets.

### **Water over-allocation in the Murray-Darling Basin**

As well as improving water efficiency, we need to confront head-on the over-allocation of water in the Murray-Darling Basin.

We must strike a sustainable balance between the demands of agriculture, industry and towns on the one hand and the needs of the environment on the other.

Getting that balance right is a key commitment of the National Water Initiative. And it is not an easy one. Every catchment and district is different. Within each community there will be differing, and strongly held, views.

But decisions have to be taken and we will ensure that there are sufficient funds committed to this process to ensure that those decisions are based on the best science.

Today I announce that the Australian Government will allocate up to \$3 billion to adjust water entitlements in the Murray-Darling Basin.

This is the Commonwealth assuming responsibility for a problem created by the states. We are willing to address the chronic over-allocation of water in the Basin and to carry the cost.

The CSIRO is working to ascertain the sustainability of allocations catchment-by-catchment. Results for the initial group of catchments are due by the end of March and final results for all catchments by the end of the year. This will reveal the full extent of over-allocation and overuse within the Basin.

Water acquired by efficiency measures or direct purchase can in our highly variable climate both provide greater security for water users in dry years and provide substantially greater environmental flows in other years.

Inevitably these measures will contribute to the changing face of agriculture in the Basin which is already seeing water move to higher value uses. There is no point sugar-coating this. Enhancing the overall viability of irrigation districts will require structural adjustment.

The Government stands ready to provide structural assistance and, if necessary, to purchase water allocations in the market.

We could muddle through as the states have been doing but, frankly, that gets us nowhere. Without decisive action we face the worst of both worlds – the irrigation sector goes into steady but inevitable decline while water quality and environmental problems continue to worsen.

We will work with communities in managing the necessary transition. Governments have a role in helping communities adjust, but we must also ensure that we have strong, efficient markets to continue this process once a sustainable base of water allocations has been established.

No doubt some will argue that we should go further. Their agenda is the wholesale retrenchment of irrigated agriculture in the Basin.

This is both wrong and defeatist – out of step with Australia's past and future ambitions as a major agricultural producer. Anyone can come up with a plan to withdraw and do less. Our goal is to do more with less – to increase agricultural production with less water use.

Australia has an enormous opportunity to consolidate and even expand our role as a global supplier of food and fibre in coming decades. We live in an increasingly urbanised world whose population is expected to reach 8 billion people by 2030. These people will demand food and clothing.

### **Governance arrangements in the Murray-Darling Basin**

None of this massive investment by the Australian Government makes sense without a complete overhaul of the Murray-Darling Basin's governance arrangements.

Putting the Basin on a sustainable footing can only occur through faster reform and fully integrated catchment management. And that requires an end to the parochial pursuit of state interests.

This large, connected system of surface and groundwater systems should be managed as one. After all, rivers do not recognise those lines on the map we call state borders. This was recognised, at least in principle, as long ago as the 1902 Interstate Royal Commission on the Murray.

The states manage all of the water in their jurisdiction. The Murray-Darling Basin Commission, which it must be said is a somewhat unwieldy body, is focused on the River Murray.

Criticism of the management of the Murray-Darling Basin is often seen as the Commonwealth blaming the states or one state blaming another. And there is no doubt that many errors have been made in the past.

Some were based on ignorance and lack of science. Others were the product of an optimistic expectation that the relatively wet years in the second half of last century would last forever.

In the final analysis, however, the core problem is that the different states have competing interests. The South Australians resent, as they have for more than 150 years, the level of diversions by Victoria and New South Wales. The Queenslanders feel they were late to the party in developing irrigated agriculture and want to catch up. The New South Welshmen downstream complain that their overland flows have been diverted to cotton farms.

As long as integrated water systems are being managed piecemeal by governments with competing interests, the execution of even the best national agreements will remain challenging and contentious.

The examples of this in the Murray-Darling Basin are legion:

- We still do not have an effective Basin-wide cap on water extraction, 12 years after the introduction of an interim cap which Queensland and the ACT have essentially ignored and which NSW has regularly breached;
- We still lack the most basic water information such as a consistent, Basin-wide register of water entitlements;
- Despite a host of Commonwealth-State agreements, there is still inadequate reform on issues such as water trading and pricing;
- Contrary to assurances made to the Commonwealth as late as the Melbourne Cup Day Water Summit last year, states are not insisting that irrigation companies implement the Australian Competition and Consumer Commission's recommendations on Exit Fees; and
- Because of the veto power individual states have over the Ministerial Council's agenda, some issues like unregulated flows are not addressed in a timely manner, if at all.

I have already stated my intention to ask the relevant state and territory leaders for a reference of powers over the Basin. At stake is nothing less than the economic, social and environmental health of one of Australia's most important regions.

We must think and act as Australians – not as Queenslanders, New South Welshmen or Victorians.

Let me also speak directly to the scientists, hydrologists, engineers, economists and others who have spent years working on the Murray-Darling Basin – often with inadequate resources and in fragmented institutions.

The Australian Government values your expertise and experience. Indeed, we need them to forge a new era of common purpose.

### **Better National Water Information**

Australia's water scarcity problem also requires that we measure our water resources and our usage of them far more accurately. You cannot manage what you cannot measure.

Our plan for the Murray-Darling Basin, for example, calls for better understanding of supply and demand at a catchment level, irrigation district level and farm level.

At the moment in Australia, water information is dispersed across more than 100 agencies. The last two national assessments of water resources have been bedevilled by inconsistencies in data definition and coverage across jurisdictions.

One of the frustrations surrounding the National Water Initiative has been the failure of states to reach acceptable standards of water measurement and monitoring. Remarkably, in some cases they have cut resources for this vital work.

Without better measurement capability we will not be able to make the right decisions on long-term adjustments or on day-to-day management of our water resources. With better measurement capability we can vastly reduce waste, overuse and theft of water.

To facilitate more accurate and timely water decisions – by government, business and water authorities – I announce today a significant upgrade in the role of the Bureau of Meteorology to include the collection of water information on a national basis.

At a cost of \$480 million, this enhanced capability will provide:

- Comprehensive water resource assessments and projections of future water availability;

- Rigorous and nationally-consistent water usage measurement and accounting;
- Greatly improved access to water information for government and business decision-makers; and
- Much greater independence and transparency, removing the perception of reporting bias.

### **Northern Australia**

Armed with better information, we will be able to make sensible long-term decisions for future land and water use, including in northern Australia where a large proportion of Australia's readily available water supply is found.

Not for the first time in our history, water scarcity in southern Australia has spurred interest in further developing the water resources of northern Australia. The National Water Commission has already identified northern Australia as an area requiring better water planning and management.

Queensland alone has about 45 per cent of Australia's surface run-off, and most of this originates north of the Tropic of Capricorn. Water is also concentrated in the north in the Northern Territory and Western Australia.

I will establish a Taskforce chaired by Senator Bill Heffernan to examine the potential for further land and water development in northern Australia. This work will be informed by a Northern Australia Land and Water Futures Assessment.

A key focus will be identifying the capacity of northern Australia to play a larger role in agriculture in the decades to come.

### **Great Artesian Basin**

As well as exploring the further development of water resources in northern Australia, we must improve the management of existing northern water resources – in particular, the Great Artesian Basin.

The waste of water from uncontrolled bores and from inefficient reticulation systems has caused a fall in artesian pressure across much of the Basin. This threatens continued access to water by pastoralists while new water users find it almost impossible to obtain access to groundwater.

We are also seeing the loss of groundwater dependent ecosystems in the Great Artesian Basin as a result of land and water salinisation, plant and animal pests and falling pressure in some naturally occurring artesian springs.

The current (phase 2) capping programme through to 2009 will see 60 per cent of all bores capped and 75 per cent of drains replaced.

Today I announce that the Government will commit to phase 3 so as to complete the restoration of the Great Artesian Basin. Consistent with current

arrangements, the Commonwealth will seek a commitment from participating states to joint funding.

### **Urban water**

With the exception of Perth, none of our large mainland cities has invested in significantly augmenting their water supplies for several decades.

In some cases (Brisbane and Sydney, for example) decisions to build new dams were cancelled and then nothing else was done. Rather than investing in new infrastructure, state and some local governments have elected instead to constrain demand by imposing water restrictions, no doubt in the hope that the rains would return and replenish their emptying dams.

This strategy was successful in preserving the cashflow of government-owned water utilities which enabled them to continue to pay large dividends to their owners, but the continuation of the drought has shown the strategy to be a foolhardy one. Permanent water restrictions should be no more acceptable in our great cities than electricity rationing.

As a consequence, in several cities we are starting to see a scramble to build new water infrastructure be it recycling, desalination or new dams.

While the case for Commonwealth involvement in interstate water systems is a compelling one, it is less obvious that the Commonwealth should be directly engaged in the provision of urban water. The truth is that all of our cities are able to afford as much water as they need.

Of the \$2 billion Australian Government Water Fund, close to \$900 million has already been committed to important water projects. We are currently considering on their merits all of the major state projects for which Commonwealth finance from the Water Fund has been sought, but they must meet appropriate criteria, including proper pricing strategies.

Consistent with the criteria already specified by the Commonwealth, it is not unreasonable, as a condition of funding, that urban water utilities invest appropriate amounts in infrastructure rather than being constant revenue streams for state governments.

The fact that today the Commonwealth has offered to assume responsibility for a problem created entirely by the states – the over-allocation of water in the Murray-Darling Basin – gives Australia's largest state governments significant capacity to focus their resources on urban water problems.

### **Conclusion**

Today I've talked about a new era in national water management based on a \$10 billion investment that tackles Australia's most pressing water problems.



This investment is a sign of our ambition for Australia. That it is affordable is testimony also to this Government's long-term prudence.

The reason goes back to where we started over a decade ago with a commitment to balance the budget and to pay down the \$96 billion government debt we inherited from the Labor Party.

This has given Australia a platform for uninterrupted economic growth – a decade which has seen 2 million new jobs created, the reform of our tax and welfare systems, the reform of our workplaces and the biggest sustained investment surge in Australia's history.

By getting the big things right – by reforming and retooling our economy – we can afford to do the bold things – like saving the Murray-Darling Basin from economic and environmental decline, like securing our nation in a time of threat and uncertainty, like positioning Australia as a 21<sup>st</sup> Century energy superpower, like meeting the challenge of climate change in a way that supports our competitiveness and plays to Australia's strengths.

Water scarcity is a major national challenge. And there will be other challenges we must confront in the years to come. But with the resilience, adaptability and boldness Australians have shown in the past, they can be overcome.

[ends]

**This transcript is taken from a recording, and freedom from errors, omissions or misunderstandings cannot be guaranteed.**

***NATIONAL PRESS CLUB***

*Thursday, 25 January 2007*

**KEN RANDALL:** Thank you very much, Prime Minister. We have, as usual, our period of questions from our media members. The first one today is from Philip Khoury.

**PHILIP KHOURY** (*Sydney Morning Herald*): Good afternoon, Prime Minister. Just on the governance issue and the Basin, would you like to assume control from the states of other intrastate waterways, like the Great Artesian Basin and other rivers outside the Murray-Darling? And with the Basin, you spoke on some of the explanatory memorandum we've been given about further controls on water use there to restore it. Would that apply also to the mining industry which uses about 30 megalitres or 30 million litres a day out of the basin at Roxby Downs?

**JOHN HOWARD:** Well, the answer to the first question is very simple that the proposal is in relation to the Murray-Darling Basin and all of what is involved in the Murray-Darling Basin. Now, as to the second question, everybody's got to make a contribution to solving this problem.

**STEVE LEWIS** (*Australian*): The last time the Commonwealth announced a takeover of state responsibilities on industrial relations the matter ended in the High Court. Are you not provoking a similar brawl with the states during an election year? Are you confident of the Commonwealth's legal powers given the Constitution does confer responsibility to the states on water matters? And lastly, if the premiers resist your offer, will you seek public support at the election through a referendum question on this issue?

**JOHN HOWARD:** Mr Lewis, I have outlined today what even the most cynical would accept, I'm sure, as a very detailed, full-blooded commitment to solving this problem. I'm going to ask in a detailed, courteous fashion, as is my want, the relevant state and territory leaders to refer their powers. I'm not going to speculate on what we might do if they refuse to do so. I think the sensible, courteous thing—having outlined the plan, which I've done today and put the Commonwealth money on the table in a very detailed, up-front fashion, no rhetoric, straightforward dollars and a description of what we're going to do—I'm going to write to the states seeking their cooperation.

As to what may have happened with industrial relations, well, there's a vastly different situation with this. You know, as well as I do, that the ideological unwillingness of the state Labor governments because of the dictation to them of the trade union movement to accept our industrial relations policy. I would hope that different considerations will obtain in relation to this.

**ANDREW FRASER** (*Canberra Times*): Your new deal on water has been accompanied today by revelations of your personal intervention in the shadows of the New South Wales election ...

**JOHN HOWARD:** Really?

**ANDREW FRASER:** ...to abandon a 19-year-old deal to hand the Googong Dam to the ACT.

**JOHN HOWARD:** Is that a question or a statement?

**ANDREW FRASER:** That was a statement leading to a question, if I could, Sir?

**JOHN HOWARD:** Yes.

**ANDREW FRASER:** Indeed, the Googong ... your party has today proposed the Googong to Goulburn pipeline, which has been warmly welcomed by your candidate there, Pru Goward, but which the ACT Chief Minister Jon Stanhope says threatens the very water supply to Canberra.

I understand from your speech that you're not looking to rob Peter to pay Paul but aren't you robbing Jon to pay Pru? And shouldn't the people of the ACT be compensated for the \$50 million they've already paid for the Googong Dam?

**JOHN HOWARD:** Well, I can say in relation to that question, firstly, I haven't made any deal with the New South Wales Liberal Party about this issue. The advice I have is that decisions in relation to the water coming out of the Googong Dam would have to be made by both the Commonwealth and the ACT governments. And I can assure the people of the ACT, as I can assure the people of Queanbeyan, that they will all be treated fairly and we're not going to engage in any kind of covert understanding to the detriment of one group of Australians against another.

But I think, in a sense, although you may not have intended it by your question, but I think in a sense you're really making my point that it is very difficult in these things, unless you have decision making at a national level, it is very difficult in these things to get an agreement. You have a clear argument here between the people ... the elected representative of the ACT and some representatives of neighbouring areas or people who want to represent neighbouring areas, and it really does make my point.

But on the substance of the issue, some of the stuff in your question, on my advice, is not correct. But I want to make it very clear that I don't have any arrangement—covert or overt—with the New South Wales Liberal Party. I wish them well in their endeavours in other matters, of course, but I want to make it very plain that any decision we take will respect the interests of the people of the ACT. And I'd also make the point that the Googong Dam, as I understand it, at the present time is managed in the same way as the Cotter Dam. The title to is in the Commonwealth but it is managed by the ACT government. So I think Mr Stanhope is trying to generate a dispute that doesn't really exist.

**MARK KENNY (*Adelaide Advertiser*):** South Australia is a member of the Murray-Darling Basin Commission; has relatively little power at present, I guess just being one of several votes with the competing needs of the other states, as you've mentioned. Would you agree, therefore, that South Australia stands to be one of the

very big winners under this proposal that you have, this new arrangement, given that the people of Adelaide will effectively have the Commonwealth on their side? And if they are the winners then other states, potentially, are going to be the losers, those ones you said that were breaching water allocations and so forth. And doesn't that open up the prospect of them not being so supportive of the idea?

**JOHN HOWARD:** Who, the other states?

**MARK KENNY:** The other states, yes.

**JOHN HOWARD:** No. I think the true position in relation to South Australia is that it will benefit from improved environmental flows—there's no doubt about that. But this is not an exercise in favouring one state over another. The point I seek to make is that we are never going to fix this problem if we keep looking at it from an individual state perspective. Now, I know that state premiers and chief ministers have got to do that and I know that people—and this is not meant defensive in any way—who sell to a particular metropolitan newspaper market have got to do that as well; whether it be Adelaide or Brisbane or Sydney, they're all the same, and that is the reason why we have this problem. And that is reason why the existing governance arrangements haven't been able to work and we will never fix it until you get a proper national perspective. But I have never been more convinced of anything in this area in my political time than this. I've looked at it, we've had all sorts of arrangements in the past and in the end it always gets down to this lowest common denominator of incrementalism because there is never a political incentive for a state or territory government to do other than say: I'm going to fight to the last drop of water to defend the interests of South Australia, New South Wales, Victoria, Queensland or the ACT.

Now, I feel a collective surge, indeed demand, by the people of Australia, thinking as Australians, to get above that and to try and fix this in a truly national, Australian way.

**CHRIS JOHNSON** (*West Australian*): As we know when you named your new environment minister this week, who was also named as Water Resources Minister but not specifically as the Minister for Climate Change, as is the case in some state governments and indeed the federal opposition has a Shadow Minister for Climate Change. Is this focus on water where your government's response to climate change will lie and will it be at the expense of doing more about carbon emissions?

**JOHN HOWARD:** No, no, it won't be at the expense of other environmental issues but it's the big conservation challenge of our age. I believe that very strongly. But we're not going to ignore the other issues and we don't normally copy state governments and federal oppositions in the names of our departments.

**MICHELLE GRATTAN** (*Age*): Mr Howard, can I ask you about another big issue for election year: education. You mentioned earlier this week that you thought that standards was the central thing here but you also said the other night that universities might need some additional investment. Could you be a bit more specific about the areas in which you think that investment is required? Can universities be hopeful in

this year's budget? And also, what financial impact do you think that your VSU changes have had on universities after a while of their being in operation?

**JOHN HOWARD:** Michelle, I stand by what I said on *7.30 Report* the other night. Standards are very, very important in education and I indicated the other night that some more resources might be available in the education area. I didn't particularly limit it to tertiary education but today I've talked in some detail about another issue and I don't think I'll bombard you with a detailed X-billion-dollar plan in relation to another portfolio responsibility.

I notice that my opponent has been talking rhetorically about an education revolution. Well, what he said the other day that's, in my view, not a revolution. This is a revolution, this plan that we've put forward in the water area and I'll get to education in more detail. But I do want to say, specifically in relation to education, that the fundamentally important thing in education is standards.

The problem that Australian parents feel exists in relation to our schools is that the basic standards of literacy, numeracy and recalling what I said at this platform a year ago and proper narrative objective version of Australian history is not being taught. I think Australians would feel a lot happier about our education system if they felt that the politically correct mantras of the last several decades had been finally expunged from the teaching approach in our state and indeed many of our independent schools.

**DAVID TURNBULL (Nine Network):** Ahead of your announcement today, Mr Rudd said that we've had a \$2 billion water fund in place for some years now and only 75 per cent of that money has been allocated. The allegation is, of course, that you've been dragging your feet on the water crisis to this point and you're only taking action now in the shadow of an election. Can we nail this? Why is so much of the water fund, up to this point, unspent?

**JOHN HOWARD:** Well, he mentioned a figure of 75 per cent. In a space of two years, if it were 75 per cent—and I'd say: if it were—that would be a very rapid allocation given the nature of these programs. The situation is that some \$900 million has been allocated to individual projects. All of those projects involve cooperation with individual state governments.

Can I give you an example of the difficulty we have. We funded in August of last year, \$38 million for the water proofing of northern Adelaide. I personally launched this project with Trish Draper, the member for Makin. And the project proponents were the City of Tea Tree Gully, the City of Salisbury and the City of Playford. They put the proposal forward and we agreed to put up the money. They haven't yet signed the funding agreement and I'm told the reason that they have not signed the funding agreement is that they have been unable to confirm that the state government will make a contribution to that project.

Now, I only mention that because you asked me. It's not something I would necessarily volunteer because there may be a good reason why the state government has not confirmed its support for the project. The point I'm simply making is that when you've got three levels of government and often community groups are

involved as well, there is often a lag time between a decision made to fund them. We made that decision in August of last year and, as I speak, we still haven't been able to get a funding agreement signed by the proponents because they in turn say they haven't got a guarantee that the state government will fund it. Now, this is just what happens with these things and, once again, it sort of makes my point that you always have these long lead times.

In relation to the major projects the states have put forward, I think I put out a statement yesterday which explained the state of play in relation to all of those and how, despite the volume of correspondence signed by Mr Turnbull in dealing with these states, we're still waiting, in most cases, for more information and more verification of their own commitments.

**PAUL BONGIORNO (*Ten News*):** My question goes to: where's the money coming from? The note here says that all figures in millions of dollars costing over 10 years. Ten billion dollars over 10 years is basically on the never-never, that's three federal parliamentary terms and, while the Howard government may still be in power in three parliamentary terms, it's at least a moot point. Given the seriousness of the situation, the crisis at hand really, as you have very well articulated today, I must say, are you going to front-end load this? For example, buying back water entitlements? Very costly. The National Party doesn't like it. You've bitten the bullet today. When are you going to do that? Whether the states agree or not, we really do need to come to taws on these issues, don't we?

**JOHN HOWARD:** Well, that was a good speech. Mr Bongiorno, all of the advice I have is that it will take a number of years to do all of these things. Any commitment of a long-term nature made by any government, whether it's an old government, a rejuvenated government, and it's still a very virile government, a government on fresh journeys of discovery and enjoyment or, alternatively, a very young government, all of them are in a sense, to use your language, subject to the vagaries of the electorate. Everything is long term, that's the equivalent of SAG. And the superannuation announcement made by the Treasurer in the last budget, which is going to gloriously come into operation on 1 July this year, can we guarantee that in three term's time people retiring at the age of 60, which is an incredibly young age to retire, will continue to enjoy the benefits of it? For heaven's sake. Of course, this is what we intend to do and, of course, like every other democratically-elected government in the Commonwealth of Australia, if the public get tired of us and throw us out, well, it will be up to the mob that's taken our place to decide whether they're going to give full face and credit to our commitments. But these are very big investments and if they're to be sensibly made, they'll require, for example, in relation to the piping and the channelling of the irrigation system, it will require agreements being negotiated with irrigation companies to make certain that everything's properly invested. We'll front-end load it as much as possible but it's a huge infrastructure project—a massive one—and it'll take some time but we'll do it as quickly as possible. But like everybody else, if we get thrown out, well, it will be somebody else's responsibility.

**JAMES GRUBEL (*Reuters*):** Your plan today focuses on regional Australia but I'm just wondering if I could get your view more broadly on the people in the cities of Australia who are going through water restrictions now with watering their lawns,

washing cars, et cetera. Do you think that this is something that is now here to stay? Is this something that ... do you think we'll ever return to a time where people can go out and put the sprinkler on the front lawn and water their lawns without having to worry about water down the track?

**JOHN HOWARD:** Well, I hope we don't ever go back to a stage where ... we all wasted water. We've all been guilty in the past of hosing the car down in the back yard. You'd drive it in on the Sunday morning and hose it down and [inaudible] ... an enormous amount of water go down. I think we've all been guilty of that and we all spend too much ... have too many wasteful habits in relation to water and I think there's been a permanent wake-up call given to current Australian generations about that. And I hope we never go back to that but there's no reason why, with proper planning, proper pricing, a proper requirement that water utilities invest in infrastructure.

One of the very good things I think Malcolm Turnbull has brought to this debate is to identify the scandal of how water utilities have been robbed for ... in effect, dollars that should have gone into infrastructure development have been paid as dividends to state governments to fatten their bottom lines. And if that money had been invested in new infrastructure, we mightn't have the same problems that we have in many of the cities. And if dams had been built ... decisions were taken in Queensland in the early nineties not to build a dam, decisions were taken in New South Wales not to build a dam and it's been screamingly obvious to anybody who has any acquaintance with the water problems of Sydney that if a decision had been taken about building another dam some years ago, the problem now would not be as chronic as it is. And one of the reasons why that decision was not taken was because there was a disproportionate influence being wielded over the government of the time by the dark green side of politics. And that's now been revealed as a huge mistake.

Now, I think we can go back to a better system. I don't want us to go back to the wasteful years of the past, and I do hope that we have all, as individuals, learnt something about it. And I hope that the growing interest of people in getting water tanks and making their own personal contribution continues.

**GEMMA DALEY (Bloomberg News):** I'm wondering if you could be kind enough to reflect on another Australian commodity for which there is high demand at the moment, particularly given your reference to the strength of the economy. The Australian dollar has been near a 10-year high against the yen and the US dollar. I'm wondering what you think is driving it, what it means for exporters and the economy?

**JOHN HOWARD:** Well, I'm not going to speculate about future movements in the dollar except recall something I learnt when I was Treasurer many, many years ago and that was the then current value of the Australian dollar was always just right and I don't really want to depart from that. But I think you understand that in part the level of the Australian dollar is influenced by the level of the American dollar, and it's often the case that our dollar goes up and down according to variations in the level of the greenback. But as to where it should be, there are strong arguments that you will be familiar with, from an exporter's point of view, they always like to see a slightly lower dollar, an import competing industry is the same. The good old consumer, and

that's all of you, who worry about the price of petrol, want a fairly fat dollar because that has some impact on the price that you pay at the bowser.

And while I'm on that subject, can I give the ACCC a real pat on the back? I know they'd always get that but I think some of the work they've done in relation to petrol pricing; I think there was a lag in adjusting by the oil companies. And I take the opportunity of making the point that I do think the oil majors have got to do a far better job of publicly justifying the lags when they occur between the fall in the crude oil price and that being passed on at the bowser.

I will always argue that the price of petrol is determined by the world crude oil price and that's an economic reality and it's infantile to pretend otherwise. But there is a time and there is a lag and I think the oil companies should understand that they have a very big responsibility to make sure those changes are passed on as quickly and consistently as possible and that they can expect a lot of public criticism when there is a lag.

**MARIA HAWTHORNE (Australian Associated Press):** Prime Minister, how long do you think it will take for this plan to start having an effect? How soon do you hope people will be able to go back to watering their gardens and country towns won't have to keep trucking water in?

**JOHN HOWARD:** Well, I don't think the watering of the garden is directly linked to this. This is to do with the rural water problem which is 70 per cent of water consumed in Australia. I tried to point out in my speech that the role of the Commonwealth there was compelling because of the interstate nature of our river systems.

The speed of implementation of this plan will depend, in part, on the response of the states and what might flow from that. We have given an enormous amount of thought to this and we've invested a lot of time and a lot of financial resources and we're very keen to get it going because I think there's a real passion within Australians to do something in a lasting, long-term fashion. We, in government, are often criticised for short-term decisions. We're often criticised for worrying about the next election to the exclusion of years and years into the future. Now, this is an attempt to grapple in a comprehensive way with the biggest water problem Australia has and the sooner we can get about implementing it, the better.

**ANGUS GRIGG (Financial Review):** Prime Minister, what do you say to those in the National Party, including your own Agriculture Minister, that say buying back irrigation licences will devastate irrigation communities and accelerate the decline of small towns?

**JOHN HOWARD:** I don't think those remarks—and I'm not sure that they're accurate—and can I say that Peter McGauran is on record as saying he very strongly supports the sort of governance arrangements that I've outlined. But this plan, incidentally, has been very strongly endorsed by the Deputy Prime Minister and the Leader of the National Party, who obviously has been fully involved in the decision-



making process, so there can be no argument at the leadership level of the National Party about the value of this.

But what you've got to bear in mind is that when you're talking about buying back water and buying back allocations and tackling the over-allocation problem, we have, in the announcement I made today, we've put \$3 billion on the table to deal with that. I've always accepted that if you arbitrarily take back people's entitlements and allocations without any kind of structural adjustment, that is going to meet resistance.

The other point I'd make is that if you have a parallel plan to deal with wastage and loss of water which returns 50 per cent of giant gains from that plan and from a reduction of the loss through seepage and evaporation, if 50 per cent of that is returned to the irrigators, returned to the farmers, then their concern about not having enough water to do what they want to do—how shall I put it?—evaporates.

**GEMMA HAINES (Seven Network):** I just wanted to follow up your comments on Australian history and how it's being taught in our school. And on this Australia Day eve, I was wondering if I could have your indulgence and just put you through a mini pop quiz and ask whether you could name any of the ships from the First Fleet?

**JOHN HOWARD:** Sirius.

**GEMMA HAINES:** Can you name them?

**JOHN HOWARD:** I did. I said Sirius.

**GEMMA HAINES:** If you drop by the Sydney bureau, I'm sure we can give you a gold star.

**JOHN HOWARD:** You'd give me a gold star, would you?

**GEMMA HAINES:** Or a cold beer.

**JOHN HOWARD:** Thank you. I'll take both.

**CHRIS UHLMANN (ABC Radio):** Prime Minister, you've just flagged \$3 billion, which is a huge amount of Commonwealth money. What's to stop other people buying up water licences and selling them back to the Commonwealth at a premium?

**JOHN HOWARD:** Well, obviously, that'll be something, as we structure the arrangements, that is something that we'll keep in mind consistent with our view that you should establish a proper market [inaudible] and I think it's one of those balances as we structure the rules of the market game that will have to be considered.

**DAVID SPEERS (Sky News):** Can I just take you to Iraq, and your view that you've been constantly stating that we're there largely to maintain a good American alliance and that withdrawing troops would damage the American alliance. Does that ignore, though, in your view, the fact that President Bush is increasingly isolated in his position on Iraq within the United States, not just the Democrats opposing it but from

within his own party as well? And should there be a change of administration, where does that leave your position on Iraq in relation to the American alliance?

**JOHN HOWARD:** Well, David, there won't be a change in administration for at least two years. So we can put that to one side. President Bush, absent in any kind of unforeseen event, is President of the United States until about 20 January 2009. So I think we can put that to one side.

My argument for us maintaining our current position in Iraq is not just an alliance argument, although the alliance argument is very relevant. And nobody should imagine that if I were to follow Mr Rudd's advice and ring up the president next week and say: George, I'm sorry, we've changed our mind, it's getting too difficult, do you object if we pull our troops out in the next two or three months? He would say to me: well, that's your decision, John. You're the Prime Minister of Australia and if that's the view and decision of the Australian government, go right ahead. He wouldn't like it. It would be a blow. It would be used against him. It would be evidence for the terrorists that they were winning and there'd be all those reactions. But it would still happen.

And the point I'm making is that if anybody seriously believes that if that were to occur, the present character and texture and depth of the relationship between Australia and the United States would not be affected. Of course it would be. And this idea that you can costlessly pull out of working with the Americans in Iraq and still go on as though nothing has changed, which is essentially what Mr Rudd is saying. If I look at his position compared with his predecessors, at least Simon Crean was more full blooded in his opposition. I didn't agree with it. But both Beazley and Rudd really had two bob each way when we took the decision to go into Iraq and then as things have got difficult, they've toughened their position.

You either stay or you go. You either rat on the ally or you don't. Now, I'm not saying that is the only consideration but it is a big consideration for me. It's a big consideration for my government because we're not living in a very certain world. People are worried about North Korea; they're worried about a whole lot of things in our region and I think this would be a very bad time, difficult though it is, a very bad time to be seen to be letting the Americans down. Now, you can criticise me for that, and no doubt many in this room will. I've always known that our commitment has not been a popular one. I believed in it then and I still believe in it, and the main reason we are there—not the only reason—is to create a situation where the Iraqis, having voted for democracy, can have it and enjoy it for years into the future.

But I think the idea that you could 'costlessly' in alliance terms, pull out, and in effect say to Bush and to Blair and everybody else: well, if it's all right for us to go, it's all right for you to go. Now, that is a recipe not only for damaging the alliance, it is a recipe for, in my opinion, giving a huge victory to the terrorists, not only in the Middle East but in our own region, and I can't think of anything more calculated to weaken the interests of the West, if I can use a more old-fashioned but well understood expression, more calculated to damage the interests of the West and to do what is being suggested by Mr Rudd.

**GLENN MILNE (News Limited):** I was wondering how long you'll give the premiers to decide whether they will refer their powers over water and whether you can conceive of any excuse that would allow them not to sign up to this deal?

**JOHN HOWARD:** Well, I will write to them in the next fortnight in a detailed, courteous fashion and outline what I've got in mind. I'm not going to—at this stage—speculate about deadlines and so forth. They would have a reasonable amount of time. I don't want them to sort of string me along for months but equally I'm not saying that you've got to tell me within 24 hours or seven days. That's discourteous and unreasonable.

As to: can I think of any reason? Well, I won't get into the 'take it or leave it' sort of mode of speaking, but I'd say this, Glenn, that I've given a lot of thought to it. It's always a difficult thing for state premiers to agree to the referral of powers. I understand that, and I do respect the sensitivities but we have made a very big offer and everybody knows that the current arrangements are not working. And they won't work, no matter how much you talk about it, collaboration. I had that meeting on Melbourne Cup Day and we had a solemn agreement about the ACCC's exit fee arrangement. I know that is a very esoteric sort of fine point but some of them have backed away from that already.

Now, I understand why there are domestic pressures within their states. I accept that. It's not so much a criticism, it's a recognition that within their own body politics there are dynamic forces that make it hard to stick to interstate and collaborative arrangements. But that's why I believe it should be taken over by the Commonwealth but I also know that just to ask them to refer the power to us without us taking on extra financial responsibilities would be unreasonable.

The \$3 billion that we're putting on the table to fix the over-allocation problem is an enormous assumption of the cost of a problem that's occurred entirely under the watch of the states. We haven't allocated any of those water rights. We haven't made any of those allocations. They've all been made by the states and they're all grossly out of kilter and we're going to address that problem. We're going to pick up the cost of something for which we were not in any way responsible. Now, that's part of the deal. Now, what I'm saying to them, if we're prepared to do something like that, you should be prepared to hand over the governance arrangements to the Commonwealth.

**JASON KOUTSOUKIS (Age):** Prime Minister, given the evident problems that state government warders are responsible for and also the fact that you've never been yourself a strong federalist ....

**JOHN HOWARD:** I'm a nationalist.

**JASON KOUTSOUKIS:** Can you ever imagine a day, then, in the future, when eight state and territory governments might not be necessary?

**JOHN HOWARD:** No. Look, I have said before and I'll say it again, that if we were starting Australia again, you wouldn't have the sort of arrangements we now have, but we're not. And I'm not arguing for the abolition of states. I'm not doing that at all. I

just argue for sensible adjustments when there's a national need. And there are certain things where I think state governments should always retain responsibility: quite plainly, things like urban transport and overwhelmingly in the context of urban water. The problems in Perth are different from the problems in Sydney, and the problems in Melbourne are different from the problems in Darwin or Brisbane, and I think in areas like that, it's different. But here you have the interaction and competition between different jurisdictions and the problem has got worse, not better, and we have got to fix it. And I put forward a plan today which is detailed, costed, genuine. It's not rhetoric, it's not sort of a rhetorical revolution. It's a genuine revolution and I want them to address it.

**KAREN MIDDLETON** (*SBS World News Australia*): I just wanted to follow up on David's question about Iraq. The President of the United States said yesterday that his new strategy in Iraq involving more troops needs more time to work, and you've said this week that it is too soon to make any assessment about that. I'd like to know how long before you think you can make an assessment of whether it is working and what now is the definition of success?

**JOHN HOWARD**: Karen, it's impossible for me to put a time on it and it's also ridiculous for questions to be asked about whether you think the new strategy is working when the new strategy was only announced two-and-a-half weeks ago. Really, that is just ... we have got to be realistic about this. It'll be some time before any assessment can be made. As far as I'm concerned, success is where we can be reasonably satisfied that the Iraqis can look after their own democratic future.

**KEN RANDALL**: Thank you very much.



PRIME MINISTER

CANBERRA

My dear Premier

I announced in my Australia Day speech a package of measures worth \$10 billion over ten years to dramatically lift productivity and water use efficiency in Australia's irrigation sector. The package will accelerate implementation of the National Water Initiative by substantially improving water use efficiency and addressing the legacy of over-allocation of water entitlements in the river systems of the Murray-Darling Basin ('the Basin'), by improving our water trading, metering, compliance and information systems and implementing truly Basin-wide management and decision making. The package will also promote the wise use and conservation of wetlands in the Basin, and protect its biological diversity. A copy of my National Plan for Water Security ('the Plan') is at Attachment A.

Your support in implementation of the Plan will be very important, and is a condition for it proceeding. This will be of particular significance for Basin governments, where the referral of specific powers is sought. As I set out in my speech at the National Press Club of 25 January 2007, it is vital that the Basin be managed on an integrated basis. This policy has been informed by the views of communities and enterprises within the Basin. In addition to the necessary collaboration between Governments, the Commonwealth intends to work closely and co-operatively with those communities and enterprises including Catchment Management Authorities, as the policy is implemented.

In the Basin it is imperative that the implementation of the water use efficiency measures is matched by a basin-wide view of the management of the Basin's water resources. Important functions are currently performed by the current Murray-Darling Basin Commission such as the work of River Murray Water; establishing and managing a sustainable cap on diversions and extractions and undertaking salinity management to ensure the sustainability of the Basin's water resources. I propose that the Commonwealth take responsibility for all surface and groundwater management in the Basin including those which extend beyond the function of the Commission. To ensure that the Commonwealth can carry out these operational functions efficiently, I am therefore asking you to indicate that you will refer the necessary powers for water management of the Murray-Darling Basin system including all its tributaries and groundwater resources.

To address the current inadequacies of decision making in the Murray-Darling Basin Commission, I have proposed that the Commission be reconstituted as a Commonwealth body reporting to the Commonwealth Minister for the Environment and Water Resources, with the Minister responsible to the Commonwealth Parliament. The new Commonwealth agency would have the following functions, to be performed in consultation with all Basin governments and the community:

- setting a sustainable cap on extractive use of both surface and ground water within the Basin, based on best available science and developed in consultation with all Basin jurisdictions;
- planning relevant to ensuring the cap is not breached at the individual valley or aquifer scale, including through appropriate management of irrigation and other uses of water resources, such as farm dams, groundwater bores and plantation forestry; and
- as noted above the Commonwealth would assume the management of the surface and ground water systems of the Basin.

The functional arrangements proposed for the Basin are further detailed in Attachment B.

Your co-operation will be vital not only in ensuring that the Plan can proceed, but that the transitional arrangements work smoothly and that vital investment and reform measures are implemented. While the Commonwealth will take responsibility for all water management in the Basin, there will be certain functions and services which will be provided by the States in the short term, and may be provided, by agreement, in the long term. These will need to be the subject of detailed but timely discussion between our officials.

The Plan contains a number of other important elements. The Commonwealth would support a \$5.9 billion nationwide irrigation refurbishment programme, with a goal of lifting water delivery efficiency within the Basin from around 75 per cent now to 90 per cent within ten years. We will share the water savings with irrigators. We will also co-fund with the irrigation sector the installation of new accurate off-take meters at both the wholesale and retail ends of the sector. For their part, irrigation water providers will need to maintain and improve delivery infrastructure through transparent and appropriate water delivery charging regimes, as well as removing any remaining barriers to local and interstate water trade, including waiving any fees on transfers to the Commonwealth of saved water entitlements.

In order fully to address over-allocation, the Commonwealth will assist with reconfiguring irrigation areas and voluntarily restructuring enterprises that are no longer viable as irrigation properties. We anticipate holding additional water entitlements so that, combined with the above water savings, the existing overuse of water in the Basin and the expected reduction in inflows will largely be offset. A commitment of up to \$3 billion will be available to address this serious issue, which has resulted from past decisions of state governments.

My announcement commits to widening the remit of the Bureau of Meteorology to hold, manage and report on all of Australia's water information and to provide complete coverage of water data nationally. State and industry counterparts will need to work cooperatively with the Bureau to improve Australia's water measurement and monitoring infrastructure, and to develop and maintain a national water account. The Bureau will also be responsible for setting standards for metering, measuring and reporting of water information. In return, States will need to maintain existing expenditure and contribute to the costs of modernising and extending their measurement networks, as well as meeting the full cost of maintaining a specified standard and level of monitoring and metering beyond 2012. States will also be asked to share all of their existing water data assets and provide all new data to the Bureau as it is collected. More details of the arrangements proposed for the Bureau are set out in Attachment C.

I consider it prudent for there to be a proper scientific assessment of the potential of land and water resources in northern Australia, building on existing work already underway. I have asked Senator Bill Heffernan to chair a taskforce on this important issue. This is in addition to a further commitment to fund stage three of the successful bore capping and piping program in the Great Artesian Basin. In this context, I seek your agreement to provide funding from 2009-2010 in line with existing sharing arrangements to match a further Commonwealth commitment over 5 years of \$85 million to this initiative, and also your agreement to establish proper entitlements, metering, pricing and reporting arrangements for water extracted from the Great Artesian Basin.

As indicated above, these measures will significantly accelerate the implementation of the National Water Initiative. They will also equip our irrigation sector to face the challenges ahead by both modernising infrastructure, increasing water use efficiency and improving the reliability of entitlements - at the same time as providing a much needed boost to the health of the waterways of the Basin. These measures will increase the reliability of water supplies to many rural communities as well as large cities and in particular Adelaide.

A critical area for improvement is the establishment and proper enforcement of a sustainable cap on surface and ground water extraction within the Basin. This cap needs to be informed by a thorough assessment of existing over-allocation and latest estimates of reduced inflows due to climate change, and by other risks to water resources such as farm dams and ground water extractions, reforestation, bushfires and reduced return flows. Other key challenges are to ensure that effective arrangements are in place to make best use of water allocated for river and wetland health, and to remove remaining barriers to trade in water entitlements.

There is also significant scope to improve the efficiency and effectiveness of water management in the southern Basin through properly integrated operational management of the surface and ground water systems in the Basin.

I look forward to your early and positive response to the above proposals. I hope you will agree that they provide the basis for a transformative initiative that will benefit all Australians.

Yours sincerely

John Howard



**A National Plan for Water Security  
Murray Darling Basin – Referral of Functions and Powers**

The referral of functions and powers from the states is sought to allow the following arrangements to be established.

**Water resource planning**

The Commonwealth will develop a strategic plan for the Basin, setting out caps to the volumes of water that may be diverted from each of the surface water and groundwater systems. The plan will also specify the flows and conservation activities and arrangements required to satisfy the environmental and public interest values of the Basin.

The Commonwealth will conduct best-practice river and aquifer modelling to support the setting of Basin wide caps. In addition, the Commonwealth will conduct Basin wide resource assessments to support annual water allocation decisions, including inflow forecasting.

The matters specified in the Basin strategic plan must be adopted in individual catchment and aquifer water plans for the sharing and use of water resources and must be implemented in water allocation decisions. The water plans must address all the requirements of the Basin strategic plan that are relevant to it and will be subject to Commonwealth approval. The scope of the water plans may go beyond the content of Basin strategic plans.

The Commonwealth will have the responsibility for determining, on a seasonal basis, the consumptive pool available to the holders of water entitlements.

**River operations**

The Commonwealth will continue the operations of the Murray Darling Basin Commission (River Murray Water) with regard to management of the flows in the River Murray system and extend this management to the rest of the Basin. The Commonwealth will determine how the demands for water will be met, integrating the consumptive and environmental water needs to determine the settings of river flow control devices. The Commonwealth will also determine the strategies to be followed in routing flood flows through these river systems.

It is proposed that the states transfer responsibility for the operation and maintenance of the major storages and river flow control works in the Basin to the Commonwealth. The Commonwealth will also be responsible for maintenance of the river channels and the cost of this work will be recovered through water charges.

Where appropriate, the Commonwealth will commission and supervise works for the management of the waters of the Basin.

### **Water entitlements and trading**

The plans will implement and be consistent with the Basin strategic plan and will set out the arrangements and limitations regarding the issue, amendment and transfer of entitlements. These provisions will be subject to Commonwealth accreditation and rules and objectives established by the Commonwealth for the local and inter-state trade in entitlements. The Commonwealth will maintain a complete register of entitlements for the entire Basin.

### **Flood plain management**

The Commonwealth requires a power to set guidelines and hold a power of veto over flood plain development activities that could potentially interfere with water management objectives for the Basin.

### **Interception management**

All water consumption will be subject to the cap and any growth in interception will require an offsetting reduction in established use, such as by transfer or entitlement, if the cap would otherwise be breached. The Basin strategic plan will have regard to water interception activities in the Basin, including farm dams, groundwater bores and reforestation. It is proposed that the States will license the construction and operation of dams and bores and regulate new plantations in accordance with the strategic plan for the Basin.

### **Environmental water management**

To make maximum use of environmental water, the Commonwealth will develop a Basin-wide environmental watering plan in consultation with all those involved in environmental watering within the Basin. To assist with implementing the environmental watering plan, the Commonwealth will establish an environmental water manager to hold entitlements and direct their use, including the ability to buy and sell entitlements where this is consistent with the objectives of the environmental watering plan.

### **Water quality management**

The Commonwealth will establish a water quality management plan for the Basin, and set end of valley targets that must be achieved through land use planning and salt interception works. The Commonwealth will also maintain a salt credit register. States will continue operating salt interception schemes.

### **Metering and monitoring**

All states and territories would be expected to maintain water monitoring networks in accordance with standards developed by the Bureau of Meteorology. They would also be expected to continue to read water meters and conduct compliance checks in accordance with BOM standards.

### **Implications for Murray-Darling Basin Agreement**

To implement these proposals, the Murray-Darling Basin Agreement would be reconstituted and the key elements implemented in Commonwealth legislation.

**A National Plan for Water Security  
Water information functions**

We propose to extend the remit of the Bureau of Meteorology to undertake a range of functions, some of which require State support.

**Information standards**

The first of the Bureau's new functions will be to set national, binding standards for water resource monitoring and water use metering, and the design of State and National surface water and groundwater monitoring and metering programs. The States are asked to subscribe to a national strategic plan for water resource monitoring and water use metering. This strategic plan will set out the parameters for the national monitoring and metering network and target accuracy and currency standards.

**Infrastructure ownership**

States will continue to own and maintain the entire monitoring and metering infrastructure, but these would be upgraded to a defined standard and level of spatial and temporal coverage.

**National data base**

The Commonwealth will collect and manage all of Australia's water data in a national data base, incorporating a national water account. This will require all data collecting agencies to share their existing water data assets and to provide new data assets to the Bureau of Meteorology immediately upon collection. The Bureau will develop a schedule of data assets to be transferred and the related data standards to be met. The Bureau will make all of this information freely available to the public on request.

**Resource assessment**

The Commonwealth will commission strategic investigations aimed at enhancing our understanding of Australia's water resources, and to procure strategic data sets to support water resource assessments.

The Commonwealth will report annually on the status of Australia's water resources, patterns of water use and forecasts of future water availability. These reports will be made available through the Australian Water Resources Information System (AWRIS), to be developed by the Bureau in association with data collecting agencies.

**Arrangements in Murray Darling Basin**

The arrangements set out above, especially with respect to the ownership and maintenance of assets, may differ in the Murray Darling Basin given the Commonwealth's proposed overall responsibility for water management therein.