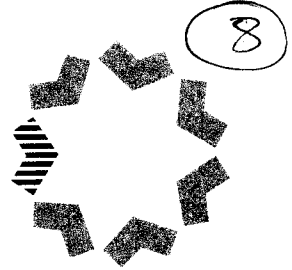


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Ref: PXS 370

19 April 2002

The Project Manager, VRHS
Catchment & Water Division
Department of Natural Resources and Environment
PO Box 500
EAST MELBOURNE VIC 3002

Dear Sir/Madam

I am writing to provide the National Competition Council's submission on the draft Victorian River Health Strategy.

The Council notes that the Strategy has been developed to protect and restore Victorian Rivers over the long term. It establishes a vision for the management of rivers, policy direction on issues affecting river health, and a blueprint for integrating all efforts to ensure Victoria gets the most river health benefits for the resources invested.

Background to this submission

The 1994 Council of Australian Governments (CoAG) water reform agreement explicitly recognises the environment's need for and right to water. To meet their commitments under this agreement, governments are required to implement reforms to ensure that waterways have sufficient water to sustain their long-term ecological health. This involves identifying how much water each river needs for sustained health and then allocating sufficient water for these needs. Rivers are 'stressed' when the level or quality of water is insufficient to maintain river health, resulting in the contraction of wetlands, falls in native fish populations and in flora and fauna, rising salinity and algal blooms.

(a) The January 1999 Tripartite Meeting

In January 1999, a meeting between Senior Officials, the Agricultural Resource Management Council of Australia and New Zealand (ARMCANZ) and the National Competition Council considered issues of concern with regard to the implementation of the CoAG water agreements, including timeframes for implementation. As a result of the Tripartite Meeting, Senior Officials agreed that:

- By June 2001, governments would need to demonstrate 'substantial progress' to the NCC in rehabilitating stressed rivers. Action was defined as including, at the least, allocations in all river systems that were over-allocated or stressed.
- Rehabilitation programs for all river systems and groundwater were to be substantially completed by 2005.

Australian governments adopted this agreement under the auspices of CoAG.

In accordance with its commitment, Victoria nominated in June 1999 eight stressed rivers under its river restoration plan program. Victoria added additional three stressed rivers to the program in June 2001, resulting in eleven stressed rivers (representing some 25% of all Victoria's river water). Victoria also provided a forward work program for bulk entitlements, streamflow management plans, and groundwater management plans.

(b) The Council's June 2001 assessment of water reform progress

In its June 2001 assessment, the Council concluded Victoria had made insufficient progress towards introducing environmental allocations and restoring the health of stressed rivers. Some water for the environment had been provided for in bulk entitlement (BE) agreements, either as a specific entitlement or in the conditions of diversion. However, information suggests that the BE program has slowed markedly and delivered very little increase in environmental flows.

The Council considered recommending a suspension of national competition policy (NCP) payments to Victoria until environmental reforms were in place. However, a penalty was not recommended because the Council obtained a commitment from Victoria to a comprehensive program to address its most stressed rivers. Victoria undertook to have completed by June 2002 a publicly endorsed River Health Strategy and to begin implementing action plans for stressed rivers in accordance with that Strategy. In addition, the Council was mindful of Victoria's \$375 million investment in an intergovernmental agreement to restore flows on the Snowy River. This historic initiative to restore the Snowy River to 28 per cent of its natural flow over ten years reflected a real commitment by Victoria to addressing the long term environmental health of *one* of its waterways.

The Victorian River Health Strategy

The Council notes that one of the key objectives of the Strategy is to ensure that Victoria meets its environmental commitments under the CoAG water reform framework. The management approach proposed by the Strategy through the development of Regional River Health Strategies has four key elements. These are:

- protecting the rivers that are of highest community value from any decline in condition;
- maintaining the condition of ecologically healthy rivers;
- achieving an 'overall improvement' in the environmental condition of the remaining rivers; and
- preventing damage from future management activities.

Within the Strategy, the provision of environmental flows is to be handled as one key component in a suite of river restoration initiatives including improvements in water quality, frontage and instream habitat, and fish passage. The management approach is to be implemented through three major planks:

- providing special protection for rivers of very high value;
- establishing five and ten year regional targets for river protection and restoration through community-driven regional plans; and
- establishing policies for specific management activities aimed at preventing damage to river health from future management activities.

The Council also notes that the Strategy proposes four levels of Statewide targets. These are:

- all heritage rivers will be protected;
- by 2005, all rivers will have either sustainable catchment limits or negotiated environmental flows in place, and an additional 2000km will be accessible to native fish;
- by 2011, there will be significant improvements in environmental flow regimes of 20 high value rivers which are currently stressed; and
- by 2021, one major river reach in each major river class will be ecologically healthy, and the length of rivers in excellent or good condition will be increased by 3000 km.

The draft Strategy outlines Victoria's approach to the provision of water for the environment within the broader water allocation framework. In relation to the management of flow-stressed rivers, it is based on:

- finalising existing water allocation processes such as the bulk entitlement conversion program, and streamflow management plans which define agreed environmental flow provisions and, in doing so, generally improve environmental flows; and

- building on these improvements in rivers identified to be of high value and priority under the Strategy with investment in further mechanisms such as water efficiency. The draft Strategy invites catchment management authorities, water authorities and the community to develop stressed river proposals to be put to Government for funding. These proposals will address:
 - the environmental flow needed and how this would be achieved;
 - the level of regional commitment;
 - overall benefits to the broader community; and
 - the level of environmental improvement predicted and required funding.

The Council welcomes the recognition by irrigators, as noted in the draft Strategy, of their dependence on healthy rivers to sustain their businesses and, therefore, the need to provide water for the environment.

The Council's concerns

The Council regards the aspirations of the draft Strategy as commendable, but it has three concerns:

1. The River Health Strategy timeframes are too long

Page 4 of the Executive Summary for the draft Strategy states that the vision will take at least 50 years to achieve. The Council recognises that the outcomes of the implementation of water reforms will often have long lead times. But the Council wants to ensure that appropriate reforms are implemented as soon as possible. Victoria is already late in addressing this element of the water reforms under NCP, and the Council questions whether action in terms of allocations for the environment will be in place by 2005. The Tripartite meeting (the basis for this reform commitment) required substantial progress on stressed rivers by 2001 and substantial completion of the entire program by 2005. The Council also notes that there is no provision for an interim review of progress built into the Strategy.

2. Funding to implement the Strategy

The credibility of the Strategy is heavily dependent on the allocation of additional funding for its implementation. While the draft Strategy document understandably does not cover funding issues, the Council considers that new funding at levels needed for effective implementation is a key element of a total package. The Council would have serious concerns if the Strategy was to be dependent on existing catchment management authority funding. If there are no indications that the Strategy will be adequately resourced, it would be difficult for the Council to conclude that Victoria is adhering to its water reform commitments

3. For progress on stressed rivers, the Government will need to buy water for the environment from the market

Page 13 of the draft Strategy states that "the Victorian water allocation framework has been put in place to manage competing demands on the water resource and is based on property rights and a water market." The Strategy recognises that to meet minimum environmental flows, some reductions in licensed use will be required, and this will have implications for farm viability. The Strategy proposes to negotiate timeframes to phase in minimum environmental flows.


The Council questions whether water efficiency savings can be achieved on a sufficient scale to provide a solution to the problem. While water efficiency savings should be sought, they are unlikely to be sufficient to meet the needs of the environment in stressed systems. A clawback mechanism to provide water for the environment in stressed river systems is likely to be necessary. Victoria has publicly committed to buy water for the environment from the market, but we are unaware that the State has ever done this.

Conclusion

The Council is concerned that the environmental commitments of the CoAG water reform agreement have not been adequately addressed by Victoria to date. It would seem that this will not be remedied by the draft Strategy, which provides for long timelines. The Council also has concerns that the Strategy may be insufficiently resourced, and regarding the silence of the Strategy on the need and mechanism for clawback of entitlements for the environment for stressed rivers.

In its forthcoming assessment, the Council will be looking for concrete and financed commitments from Victoria on this issue, consistent with its obligations that were reaffirmed as recently as January 1999. This will be a key issue in the assessment of Victoria's progress on water reform

Yours sincerely



Ed Willett
Executive Director