

Excellent Commissioners Jane Doolan, John Madden

Thank you for this opportunity to comment on this important aspect of Australia.

Terms of reference

I, Scott Morrison, Treasurer, pursuant to Parts 2 and 3 of the *Productivity Commission Act 1998*, hereby request that the Productivity Commission (the Commission) undertake an Inquiry into the effectiveness of the implementation of the Basin Plan and water resource plans.

Background

The Basin Plan provides for the integrated management of water resources of the Murray-Darling Basin in ways that promote the objects of the *Water Act 2007 (Cth)* (Water Act), including the objective of optimising social, economic and environmental outcomes. **NB It is unclear what these objects are. Are they previously stated objectives?**

Under section 87 of the Water Act the Commission is required to undertake five-yearly assessments of the effectiveness of the implementation of the Basin Plan and water resource plans. This inquiry is the first such assessment.

Response: Thank you for your invitation to comment on this review. I have commented on the Australian approach to the Murray darling on several occasions, with some success and I have some Form w.r.t. these matters.

Form1: I wrote to the Federal and State Governments, suggesting that we might follow accepted international protocol and include Australian rivers in the Constitution. I received a response from the Deputy Prime Minister saying “No Sir, we will not put the rivers into the Constitution. Then the States, led by Queensland, did the honors, mission accomplished and I am deeply grateful to them for their courage and wisdom.

NB: Some States may withdraw from the agreement due to political pressures from wealthy international organizations.

Form2: I campaigned internationally to improve our inefficient sewerage system and this was successful in Australia as well as overseas. The less water the cities use, the more there is for economically important work in the bush.

Form3: etc

NB: It is heartening to see that an attempt to comply with the Water Act (2007) is being made. Australia’s record w.r.t. important Australian Legislation and The

Constitution in recent years has not been optimal. Quoting just one example, the political parties do not appear to be able to interpret Section 44 of the Constitution. Additionally I may have passed a message to the royal commission (banking) via a legal rep from an international firm about procedures they were following up to that date, new procedures appear to be an improvement.

Recommendation 1: Before spending large resources on debating the extent to which the Water Act (2007) has been adhered to, it may be better to devote some time evaluating any potential flaws in this hastily drafted legislation to see if it could be improved to provide more actual benefits to Australians.

Example, I attended two briefings on the MD Plan that were organized by a reputable university. The first was presented by a professor with an international reputation who quoted international scientists. One such quote was by a person who had studied the numbers and exclaimed “Oh my God! They’re draining the Murray Darling”! This was followed by a federal Government reorganization and an ABC broadcast that appeared to misrepresent Charles Sturt’s diary and an abridged and potentially misleading version of this diary appeared on the internet. A politician who spoke on this ABC program may have alleged that the health of the Murray Darling was roughly equivalent to what it was in the 1820’s. The second presentation at this university was by a person who was not a professor. They declared that the Murray darling had perhaps never been healthier. After another Government reshuffle, two reports were released, indicating that the Murray Basin Plan was in trouble.

The issue appears to be that the Murray Basin Plan was not formulated to accepted Good Governance / Legal and Mathematical standards.

Scope of the inquiry

In accordance with the provisions of Part 3 of the Water Act, the Commission is to report on the matter of the effectiveness of the implementation of the Basin Plan and the water resource plans for the five year period ending 31 December 2018.

In undertaking the Inquiry, the Commission should assess:

- progress towards implementing the actions required under the Plan within legislated timeframes, including:
 - the extent to which stated water recovery and other targets are on track to be delivered within statutory timeframes; and
 - the likelihood that activities and arrangements now in place will ensure that these targets and timeframes will be met.
- *Response:* As indicated above, it appears *that the Murray Basin Plan was not formulated to accepted Good Governance / Legal and Mathematical standards.*
- the extent to which the current framework for implementing the Basin Plan, including the framework for monitoring, compliance, reporting and evaluation, is likely to be sufficient:
 - to support delivery of the objectives and outcomes identified in Chapter 5 of the Basin Plan, acknowledging that the Basin Plan is

not yet fully implemented and that many of the outcomes will only be observable over a longer timeframe;

- *Response:* Statistics that relate to Water Management or to environmental issues such as Climate Change generally need to be evaluated over hundreds of years to account for seasonal variations. It is possible that rainfall in the previous decade may have been higher than average, giving a false positive. If, on the other hand, the Murray Basin had indeed been drained during the previous five years, then it would be fairly obvious that the Basin Plan was a failure.
 - to enable assessment of risks and risk mitigation requirements and provisions associated with Basin Plan implementation; and
- *Response:* Risk Assessment needs to be done by mathematically qualified professionals who have a proven track-record in this field but there does not appear to be an indication that such experts were hired to perform this type of important work. After a boisterous report-burning demonstration about an approach to the Murray Basin, I wrote a submission about the unwelcome advice from 101-experts who come to Australia from top international universities, providing non-scientific advice. I cornered a group of such 101-experts in a public building – I had my bag on a large box that contained their travel bags and they were too polite to speak to me. Eventually the head lady agreed to see my report and was relieved to see it referred to HarvIT as well as to OxBridge. This report contained the European line “The greatest work of fiction since Joyce wrote Ulysses” and this line may have been read to a Minister at the start of a press conference – he suddenly went as red as a beetroot. **Recommendation 2:** Since it appears that Good Governance, Due Diligence and Mathematically-oriented Risk Mitigation procedures were not followed when the Basin Plan was formulated, it would be advisable to redraft the Plan as a different Minister is now in charge.
 - to enable an assessment of progress in meeting the Basin Plan's objectives and outcomes under the next scheduled review of the Basin Plan in 2026.
- *Response:* As stated in these Recommendations, it would appear to be difficult to assess progress in meeting the current Basin Plan's objectives and outcomes either now or in 2026. However it is excellent that objectives and outcomes have been documented.

In assessing progress towards Basin Plan implementation, the Commission should report on progress towards milestones agreed in the Murray-Darling Basin Ministerial Council's report to the Council of Australian Governments, *Implementing the Basin Plan*. Specifically, the Commission should focus on progress towards a pathway for three key priorities including:

- supply measures to offset the Basin Plan water recovery target of 2,750 GL by 2019, using the Sustainable Diversion Limit (SDL) adjustment mechanism;
- *Response:* As stated in these Recommendations, it does not appear that the SDL adjustment mechanism is either mathematically or scientifically correct.
 - constraints measures to address impediments to delivering environmental water; and

- *Response:* Very large and very wealthy international organizations may perhaps be oriented towards maximizing their profits. Consequently, environmental water may be a low priority for them. Such large organizations may be using IT-products and “AI” (Artificial intelligence), thus reducing Due Diligence and Good Governance. Four IT-products I made may have contributed to what is now called AI. The first was for the Dutch RTA in the 1980’s and produced a complex and volatile report from data and one small program. The second was for a Dutch LGA, the third was for Shell in The Hague and the fourth was a Workflow product for an Australian bank. While I attempted to follow Due Diligence and Quality Control procedures for all my IT-products, it appears that such features may not be robustly present in the “AI”-tools that are being used to implement the Basin Plan. **Recommendation 3:** Investigate the Costs & Benefits and any Quality Control measures in all aspects of the Basin Plan as my research and reports from the royal commission indicate that issues may exist.
 - efficiency measures to recover an additional 450 GL by 2024, consistent with the Basin Plan legal requirement to achieve neutral or improved socio-economic outcomes.
- *Response:* up to a limit, new technology can always increase the rate at which water, some of which may originate from a river in New Guinea, can be removed from the Murray darling Basin. As some of this technology may use quasi AI-tools, it is remarkable that the terms of Reference contain no reference to Information technology. While new rain will presumably always fall, a Basin Plan that allows too much water to be “recover” excessive amounts of water may have a catastrophic effect on all the cities and townships along one of the world’s greatest river systems. Given that Australia is such a dry continent, we export a very large proportion of our water under different guises. By comparison, countries that have water reserves that are substantially larger than Australia’s tend to be relatively frugal when it comes to exporting this the most precious of all our natural resources. If Australia charged a true-price for the water we export, no country would buy it and this may apply to other resources that we export. Never in the history of humanity have so few people exported c.q. destroyed such an enormous quantity of valuable natural resources in such a short time in return for such an enormous per capita debt. **Recommendation 4:** Charge a true-price for our water to all organizations that wish to export it in one form or another.
- *NB:* There appears to be a very recent Government-led turnaround into the way “AI” products are evaluated and used and this is heartening.

In undertaking this assessment, the Commission should have regard to the *Intergovernmental Agreement on Implementing Water Reform in the Murray Darling Basin (2013)*, and the *Basin Plan Implementation Agreement* between the Murray-Darling Basin Authority (MDBA), Basin states and the Commonwealth Environmental Water Holder (CEWH).

Recommendation 5: The Australian Constitution is clear when it comes to defining State responsibilities. Water Management and other services such as Education fall under the States. Australia has received copious amounts of advice from Elvis’ Ivy League experts about Education and our Maths standards are plummeting. Obama and Trump both wrote about HR-Risk in their pre-election books. It may be

time to hire Australian experts who do have genuine experience and genuine qualifications so we can start to turn our economy around.

In undertaking this assessment, the Commission should also have regard to reviews and audits that have recently been completed or are ongoing, including those relating to compliance and Basin Plan implementation.

The Commission should also have regard to the differing responsibilities of the Basin states and the Australian Capital Territory, the Department of Agriculture and Water Resources (DAWR), the CEWH and the MDBA.

Response: This Commission could duly acknowledge the relevant sections of the Australian Constitution that define which responsibilities are Federal and which ones are State. International organizations may perhaps have no knowledge of our Constitution.

The Commission should assess progress towards full implementation in the context of the differing timeframes applicable to each key component of the Basin Plan. This includes an assessment of the extent to which Commonwealth and state-led water recovery efforts and state water resource plans are on track for when SDLs take effect from 1 July 2019.

The Commission should make findings on progress to date and recommendations on any actions required by the Commonwealth or Basin state or territory to ensure the timely implementation of Basin Plan requirements and the effective achievement of Basin Plan outcomes.

Process

In undertaking the inquiry, the Commission should consult widely including establishing a stakeholder working group in accordance with section 89 of the Water Act, inviting public submissions, holding public hearings, and releasing a draft report to the public. The Commission should consult with relevant Australian Government, Basin state and territory government agencies, key interest groups and affected parties. These consultations should include, but not be limited to, parties with interests in agriculture, industry and the environment, and Aboriginal groups. The Government has asked Basin jurisdictions to co-operate with this Inquiry, including by providing the Commission with the information it considers necessary in undertaking its Inquiry.

Response: While the health of the Murray Basis affects all Australians, I am not aware of any community consultations – although experts from international universities and organizations may have been provided with an opportunity to comment. Acting on advice, I read a water-oriented submission from a major Australian university several years ago. Their submission detailed several issues and suggested ways that their university might perhaps be able to assist in rectifying them and this work may perhaps have involved fees. In this vein, I am happy to assist the Commission to evaluate issues relating to Governance, Due Diligence, Cost / Benefits and Information Technology.

NB: Water expert Cullen said publically shortly before his passing that at least one international water expert passed his desk each week. He also said publically that NSW did not keep water statics – perhaps all States keep water statistics now.

The final report is to be provided to the Government by 31 December 2018.