

# **WATER MANAGEMENT IN AUSTRALIA - TIME FOR A RE-THINK**

## **THE 2018 PETER CULLEN LECTURE BY KEN MATTHEWS AO**

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I knew Peter Cullen. I had the privilege of working with him as fellow Commissioners of the National Water Commission from 2004 until his untimely death now ten years ago.

I don't need to tell this audience what a delightful person he was - we all miss him. Nor do I need to tell you what an impact he had on the way water is managed in Australia - the benefits of which we still enjoy today.

I regard Peter as a founder - if not the founder - of the water reform community in Australia. It was Peter who, in the early 2000s, pushed for the development of the National Water Initiative water reform blueprint. It was Peter who then became the most obvious candidate to be nominated to the new National Water Commission. It was Peter who then worked to marshal a wide range of reform-minded people in support of the water reform agenda. Most of us here today now belong to Peter's continuing water reform community-of-interest.

But what is less commonly known about Peter is how he went about his work of influencing water policy makers.

Peter was tireless in networking. He comfortably straddled academia, government, and the water practitioner community. He was respectful of others' insights and skills and was pragmatic in using any opportunity to harness those insights and skills to the cause of better water management. He spoke powerfully - and again, respectfully - to the most senior people as well as his most entrenched opponents. As has often been said, he spoke truth to power.

He used his formidable reputation in a non-formidable way. He was as able to speak with quiet authority to a group of battling first generation migrant irrigators as he was to the most bolshie group of politicians or the most demanding and insistent journalists.

And he was always clear about what he thought could be done better.

So as I thought about tonight's lecture, I thought to myself "what would Peter have thought of the state of debate about water reform in Australia today, and what could we be doing better?"

My answer: I think he would be pleased to see so much of his legacy, but I think also he'd be dismayed at the quality of some of the current debate and disappointed about the way Australia now makes - or doesn't make - decisions about water. He'd be critical of certain ministers and disappointed in the rest of us - his 'water reform community-of-interest' - for not standing up to be counted when ministers' decisions disappoint.

As a consequence, I think Peter would be pressing for some radical changes to Australia's water 'governance' arrangements - the way we take decisions about water management. I'll be suggesting some possibilities shortly, but first, let's look at what has been achieved since Peter first began pressing for water reform.

### ***Achievements to Date in Water Reform***

At the biggest picture level:

- Environmental sustainability is now fully accepted as a legitimate goal of water management. When Peter began his work that certainly wasn't the case.
- Water markets are well established as the key mechanism to allocate scarce water among alternative uses. Our use of water markets is now admired around the world.
- Water prices have gradually increased irrigation efficiency and pushed Australia's valuable water towards its most valuable uses.
- Australia's iconic water system, the Murray Darling Basin, has been brought back from the brink - although much remains to be done.
- The security of water entitlements and supplies for irrigators, towns and cities, as well as for environmental purposes, has been greatly enhanced.
- The stock of environmental water holdings has significantly increased.
- The efficacy and efficiency of environmental water use has been steadily increasing.

It is an impressive list of achievements, and it's not exhaustive. It is easy to forget that the world of water in Australia at the time of the Millennium Drought was very different. We should be very proud as a nation of what we have achieved. I am sure Peter would be.

But the world never stops, and the reform journey never ends, and some new problems are now evident that I am equally sure Peter would be out to fix.

### ***Problems in Policy Making***

In my mind, the key contemporary problem is the quality of government involvement in water management.

Compared to most other sectors of the Australian economy, it is striking just how much governments are involved in water management. Here's a list:

- Water resources are publicly owned; governments therefore have various roles as the agents of the public owners.
- The water-dependent environment also needs an agent to speak and act in its interests; typically governments play these roles.
- The water market needs an umpire and regulator; only governments can do the job.
- Water rights, rules, allocations, registries, permits, licences, standards, compliance, reports, records, and statistics are all functions expected of governments.
- Governments approve our fundamental mechanism for determining who-gets-what water: our Water Sharing Plans and Water Resource Plans.
- Only governments can negotiate with other governments about water across State borders. Only governments can handle those arcane Commonwealth/State processes that, as a consequence of our constitution, are so much a part of Australian water management.
- Let's not forget that the entire Murray Darling Basin Plan is an intergovernmental agreement.
- Much off-farm water infrastructure is government-provided.
- There is a range of government grant programs provided to the water sector.
- Water supply to towns and cities is often government-provided; even where it is not, governments set quality, safety, health, pricing, and other arrangements.

My point is that government decisions are ubiquitous in the water sector, more so than in most other sectors. However my concern is that too often, governments disappoint us in the decisions they take, and the way they go about taking those decisions.

Let me give you an example (albeit slightly simplified) in the area of environmental water. As a senior public servant, I have spent many hours over the years with ecological scientists who were arguing that “the science is clear - this particular ecosystem needs x amount of water. This should be a cut-and-dried, expert science-determined decision. Why isn’t the Minister simply approving it?”

I have had a lifetime belief in the Westminster system whereby, as the sayings go:

- ‘officials may advise but it is ministers who decide’; or
- ‘public servants may propose, but ministers dispose’ ; or
- ‘ministers always have discretion - they are the elected officials. It is ministers who are ultimately accountable at the ballot box for their decisions. Public servants are not’.

And this Westminster principle makes very good sense to me. In my example case of approving an environmental watering, it turns out that there are many so-called ‘political’ judgements that need to be made by a representative of the broader community, alongside that apparently ‘scientifically straightforward’ environmental watering proposal.

For example, the community needs to decide just how green do we want this wetland? There are many shades of green that can be delivered by varying the volume of water. Just how big do we want this fish hatching or water bird nesting event to be this year? Just how many examples of a particular ecological asset does society wish to preserve? Is this ecological asset more valued by society than others which might also need the water?

These are all quintessentially ‘political’ judgements. Scientists are not well equipped to make those calls and trade-offs. Ministers are best placed to understand the community view and to take it into account in their decision making, alongside the science. That is why they are elected - to know and represent the wider community interest.

I have argued many times this sensible and proper division of roles between elected and un-elected officials.

BUT, what if we find the relevant minister is simply not interested in the science advice – or even totally dismissive of it? What if the minister has a worldview which, for example, dismisses all the science of climate change or argues in a Shepparton pub about the ABC Four Corners show on alleged

water theft, that (and I quote) “we can't have the greenies running the show basically sending you out the backdoor”. ”The greenies are trying to take more water off you. They're trying to create a calamity - for which the solution is to take more water off you, shut down more of your towns...”.

In other words, what if we had an irresponsible minister who did not take serious science advice seriously. What if we had a minister who pandered to ignorance and base prejudice, rather than seeking to lead, educate and persuade. What if we had a minister who sought to ingratiate himself with a narrow group of voters at the lowest common denominator level, rather than take on the really tough leadership role of seeking to balance the interests of the Australian environment with the many other interests in water that the community as a whole expects to be looked after.

Ministers like these in charge of the multitude of water management decisions in Australia thus become a fundamental flaw in an otherwise-sound Westminster decision making process. With ministers like these, the best, careful, analytical advice risks disappearing in a fog of irritable, shouty, partisan, partial decision-making where the politician may have their petty ephemeral win but the loser is the broader long term community interest.

My point is that our current water decision making processes have been designed with an assumption that good science and careful analysis will make its way up through the system, and that responsible ministerial decision makers will be at the helm to receive it. But it turns out that too often they are not.

I hasten to say that there are many ministers including some ex-ministers in this room tonight who have always been serious about their wider leadership responsibilities. Rather than reflecting misapprehensions back to their constituents, they have respectfully sponsored a community learning process (just as Peter Cullen would have done). Rather than dismissing the science and scientists, they have been their champions.

Where these individuals are in decision-making positions, Australia's water decision making machinery works as it should. But absent such ministers, the advisory machinery grinds on pointlessly and is too often ignored. Thinking people become disappointed and disillusioned. Serious advisors, including science advisors, shake their heads but excuse the expedient or spineless minister by telling each other " it's their call – they are the elected officials, not us".

Throughout my career, I knew, just as most current water advisors know, that taking politically hard decisions when 'the base' is going feral is hard - damn hard. I know that when a science consensus is rejected out of hand by Sydney shock jocks and partisan media, the pressure to ignore the science can feel overwhelming. I know that many issues seen as self-evident in urban Australia are absolutely not at all self-evident in rural Australia, and vice versa. I know it is hard.

But for a serious minister, 'hard-to-do' should not mean 'not-to-do'. And for the rest of us observing our elected ministers, we should not settle for clearly expedient or partisan decisions, or decisions pitched shamelessly at what Donald Trump calls his 'base'. We should not excuse decision-makers who value playing a parliamentary political game over their heavy national or state responsibilities to manage Australia's water wisely. We should not look away when good science and analysis is ignored because it's too difficult.

Peter Cullen wouldn't have accepted it. I don't accept it. As serious members of the water reform community-of-interest, we all need to call it out. I fear we are all failing in this. I fear we are self-censoring.

### ***Climate Change***

And that leads me to climate change. I mentioned earlier the entirely hypothetical scenario of having a minister who is simply not interested in the science of water and has a worldview which dismisses the science of climate change. I want to return to that issue.

I think that Peter Cullen would be quite disappointed by the intellectual self-censorship adopted by much of the water reform community about the potential impacts of climate change on water management in Australia. All of us here tonight know that the defining characteristic of the Australian climate is variability. We have all read the overwhelming scientific consensus about future directions in climate change, the human contribution to those changes, and the likely further increase in variability in the Australian climate.

These issues are enormously far-reaching for water users in Australia. A changing climate puts even more pressure on us as a society to get our longer term water management decision-making right.

But have you noticed how few ministers have been prepared to talk about the nexus between climate change, drought and water management? As a consequence, it seems that many public sector officials, too, have thought the

climate change/drought issue was 'delicate' and might be 'uncomfortable' for their minister. Even public sector scientists from my observation have seemed tentative or diffident about the subject at least when speaking publicly. We, the water reform community-of-interest, have self-censored because the political environment was inhospitable, and our ministerial leaders weren't leading.

The water debate and climate change debate have been decoupled just when they should not have been. Curiously, ministers and senior officials have continued to be relatively silent when the best and brightest farmers, including irrigators, are increasingly making their own calls for policy attention to the climate change issue. This year's drought has focused attention on climate change and variability. The opportunity is clearly there for spirited intellectual leadership, but the flesh of ministers and senior officials seems weak.

And vision? When was the last time we saw a minister risk putting out any sort of vision for future water management, let alone a vision for managing water in an environment of climate change? Even publishing an agenda for 'what needs to be done' seems to be judged too risky.

My point is it is time we all spoke up about the climate change, drought and water management nexus - whatever ministers might think. I know Peter Cullen would have.

### ***Building Better Decision Making***

So what can be done? In brief, and I never thought I would hear me saying this, we need decision-making machinery that is more constraining of political choices and therefore provides more certainty of rational, reasonable, science-informed outcomes.

We will probably never eliminate all ministerial discretion but we can certainly design-out carte blanche discretion. We can certainly add decision-making criteria to legislation and binding policies. We can legally require expert scientific, economic and analytical advice to be considered seriously, and even require reasons to be published for rejecting or modifying that advice.

We can also build stronger incentives for responsible decision-making. One of my favourite incentives is to ensure that the professional advice and assessments provided to the minister are required to be published, and whatsmore, published before the minister decides. This not only enables public testing of the advice (which is a good thing in itself), but also enables

interested stakeholders to test the quality of the minister's eventual decision against the professional advice that he or she received. Such advice is not currently released by many governments in Australia but there is no reason why it should not be.

One example might be the advice soon to be provided to both state and commonwealth ministers by their respective departments and agencies about the coming critically-important round of Water Resource Plans due in the Murray Darling Basin.

As well as working on more responsible water decision making processes, we can build better institutions. The longer I worked in government in my career, the more I understood that 'institutions matter'. From my three decades plus of public administration, I saw too often that a government can have the most inspiring policy reform agenda, but without two things - the budget resources, and the right institutions to carry the agenda forward - nothing happens.

You might expect me now to be calling for the re-establishment of the National Water Commission, as many have. But I'm not. It is true that the Commission was abolished in 2014 for the worst of reasons (on the recommendation of the then portfolio department which was required to find a Budget cut - money that would otherwise have had to be found within the department itself). However the world has moved on and there are now different needs in Australia's water management.

For example, there is a need for better arrangements to manage water issues nationally, rather than state by state. The Basin Officials Committee provides a basic forum within the Murray Darling Basin (but therefore excludes the non-basin states of Western Australia, Tasmania, and the Northern Territory). It is possible for officials of all jurisdictions (MDB and non-MDB) to meet in support of Water Ministers, but I understand this is rare. Indeed, in recent years meetings of Water Ministers themselves have been rare.

Even when water officials do meet, officials sometimes misunderstand their responsibilities. Yes, senior public servants are accountable to their ministers, but no, they are not there to carry forward ministers' games between political parties, levels of government, party factions, and rival ministerial offices. It saddens me to relate that some senior officials I dealt with over my years with the National Water Commission seemed to think that keeping their minister of the day 'comfortable', was a higher responsibility than advancing the public interest reform agenda endorsed by the very same

minister. Even worse, a few senior officials seemed to think that keeping their minister's chief of staff comfortable was important. It's not, you know...

In recent weeks there has been public discussion about how forthright and science-based, advice to ministers has been from a major government department (about animal welfare) and from a major intergovernmental water agency (about science underpinnings for water extractions).

I hasten to say that I am a strong supporter of each of those agencies. Both deliver a lot for Australians - more than most Australians will ever know. So it pains me to hear the criticisms. But it is worth reflecting on the underlying message of those criticisms from the community. The criticisms are really about the community's disappointment that the agencies appear to have failed to live up to the community's expectations that they will speak up to their ministers, that they will base their advice on science, evidence and analysis, and that they will do so even when the advice is unwelcome to the minister and therefore 'uncomfortable' for the officials themselves.

I have always found it interesting that although the community at large is quick to grumble about bureaucrats, fat cats, and shiny bums, the same community continues to hold very high expectations of principled behaviour by its public servants. Indeed, the community's expectations of principled and responsible conduct by professional public servants are probably higher than the public's expectations of ministers.

From the debate in recent weeks, the community's expectation is clear: that officials will continue to offer frank, fearless and evidence-based advice to ministers even when the going gets tough. In my own career experience, even when ministers are furiously signalling other priorities, it is usually possible to find a way to have the necessary conversations - subject of course, to my earlier condition that you are blessed with a responsible and serious-minded minister!

So, returning to how national water decision-making can be improved, it is a concern that there is no longer a contemporary national water reform agenda like the 2004 National Water Initiative Intergovernmental Agreement to provide a blueprint for jurisdictions in their water policy development. This is despite calls for some years now for such a refreshed reform agenda including, remarkably, from the urban water industry itself. In my experience working on reform in other (non-water) sectors, it is a rare and exceptional event when the sector itself is suggesting reform. But so far, no minister has taken up the opportunity.

Sadly, there are cycles of interest in water reform. Interest peaks when water is scarce. But reform is hard and takes time. Results therefore seem to emerge just as the drought is receding.

Ironically, the very ministers who rejected the calls for a new drought policy and renewed water reform when the seasons were good (they judged there was no political mileage in it at the time) would have benefited from a counter-cyclical launch of the process then, to yield both political and policy benefits, now.

So in summary, we need to: redesign the national decision-making processes especially for ministers under political pressures; re-build the national institutions necessary to resume progress towards better water management; and re-commit to a shared national water reform agenda.

We also need to have the best ministers in place - ministers who see water reform as the great opportunity for national benefit it is, rather than a political 'problem'. And we need to nurture hard-driving officials with a bias - by which I mean, a bias for fearless advice and a bias for action!

### ***Consultation with Stakeholders***

There is another opportunity for improvement: that is, clearer channels for stakeholders to offer and discuss reform ideas, a subject to which I now turn.

I think there are some improvements that can and should be made to the consultation arrangements for stakeholders interested in water policy-making. I see a gap in the institutional environment for influencing water policy-making. It can be argued that governments, industry, and even environmental science each have reasonably clear points of entry to the water policy debate, but other community groups, including regional interests and small local stakeholders, feel somewhat excluded.

Governments have many forums and channels. Industry (especially irrigation interests) have ready access to those channels. Even the environment has certain institutions and processes to attempt to join and influence the public and policy debate, albeit imperfect and sometimes frustrating. However too often, local communities and small groups with specific interests do not enjoy the same access and such groups currently feel disenfranchised and alienated. One familiar example would be some of the floodplain graziers and small communities on the Lower Darling.

Current consultation arrangements are not set in stone and it should be possible to design new and better forums and processes to accommodate a wider range of interested parties, while at the same time benefiting from their input. In particular, arrangements need to provide assurance to all parties that no single group has preferred or private channels to decision makers or their advisors, and that all consultation is genuine and authentic.

My suggestion therefore is that stakeholder consultation needs to be re-thought. The big end of town is probably catered for well enough. But smaller groups and special interests need to be built-in to the processes better. Until we do, alienation, frustration and misapprehensions based on exclusion from the processes and ignorance of the facts will continue to dog water management decisions.

### ***Social Licence to Irrigate***

There is a term often used in Australia but little understood - the social license to irrigate.

Broadly, the concept is that because water is owned by the community, water users need to gain, and retain, the permission of the community to use the resource. Irresponsible or unethical use of the water may lead to the loss of the community's confidence in water users - and thus implicit withdrawal of the social license to irrigate.

Although the term is often used, its meaning is rarely spelt out. To the extent that the concept is hazy or means different things to different people, there will be confusion. I think there is therefore an opportunity to build community confidence that water is being used responsibly by spelling out – codifying – the social license to irrigate.

I suggest this because I have no doubt that the concept of such a social license will be an increasing part of the public debate about water use in Australia in the years to come. It worries me that although the broader community's goodwill towards farmers in general is strong (think of the charitable response to the current drought appeals), the irrigation industry continues to struggle for enthusiastic community acceptance – particularly by the metropolitan urban community.

Personally, I have no doubt about the tremendous value of Australian irrigation and the high level of responsibility of most irrigators. But urban

community acceptance is not strong and as a consequence access to the water resource is not forever assured.

My proposal therefore is that water users (specifically irrigators) consider developing a set of principles by which they are prepared to be judged on their performance as responsible water users. It would be more than a code of good irrigation practise; it could include also acknowledgement of the importance of river system and floodplain health, environmental flows, indigenous interests, regional and community benefits, and the many other externalities associated with responsible irrigation. It could also commit to maximise transparency about where, how and when publicly owned water is being used - one of the best means of building community confidence about water use.

The urban community consensus in support of irrigation in Australia is fragile and I see no sign of its strengthening over the twenty years to come. On the contrary, I have seen at close hand the outrage caused by unethical conduct of a few Northern NSW irrigators and the resultant immediate and intense pressure to sanction the remaining honest irrigators. And all the while, the urban community's insistence on good environmental management seems to grow inexorably year by year.

A compact proposed by the irrigation industry as a whole, may buttress the industry's support against the next localised failing - because there certainly will be one!

### ***The Forward Agenda***

Having railed against expedient decision making by ministers, self-censorship in advice and public comment by the rest of us, and the consequential loss of momentum in water reform, I now want to become a bit more positive by reminding us of how much remains to be done.

I remember Peter Cullen once reeling off a list of 'what needs to be done' to stiffen his fellow National Water Commissioners' backbones at a point when complacency seemed to be a risk. Peter's list was long. Sadly, a few of the items on my list to follow, were on Peter's list too!

So, a shopping list of known obvious opportunities for more to be done in the water reform space:

- Urban water reform was given only a light touch in the reforms of the 90s and 2000s. Pricing, third party access, government involvement, city planning, and regulation (environmental, health and economic) could all benefit from contemporary review.
- Despite much effort, processes for recognising Indigenous interests in water continue to be haphazard and ineffective. Indigenous economic, cultural and social interests continue to be conflated. Input to decision making is low-impact. There is great reform opportunity to set all this right.
- Potable re-use of recycled water is as inevitable as sunrise, but no minister wants to be known as its champion. Australia could be preparing the ground for the future.
- Despite its importance in Australia, Groundwater continues to be the poor cousin of surface water. With renewed investment in groundwater science, and improved channels into decision making, groundwater could be managed so much better.
- Metering and monitoring of water extractions (or the lack of it) is a running sore. Most urban people are astonished to learn that there is not already universal water metering. This is a big opportunity to build public confidence in water management.
- Compliance arrangements continue to be found wanting. Public confidence and the social licence to irrigate is in jeopardy. Again, a serious publicly-evident effort to strengthen compliance arrangements is a big opportunity to build public confidence in water management.
- Transparency of who's using how much water, where and when, and how responsibly, continues to be lacking. If reasonable requests for information cannot be met, the potential for public disquiet increases. Improved transparency is a policy opportunity, not a problem.
- Processes for science input to water decision making are ad hoc and unsystematic and as a consequence science has less impact than it deserves. We have an opportunity to significantly improve the rational foundations of water management decisions by bringing more scientists to the decision making table.
- Environmental water continues to cause dispute. We have opportunities to tell the story of the effectiveness and efficiency of environmental waterings much better than we do. We have opportunities also to require the effectiveness and efficiency of the use of environmental water to be just as rigorous as the requirements we place on consumptive users.
- The potential contribution of the water sector to climate change mitigation, preparedness, adaptation and response is still unclear. The water sector (especially the urban water sector) is a big contributor to greenhouse gas emissions and there is a strong nexus between climate change and water management. The sector can show more leadership here.

- Principles and criteria are lacking for government infrastructure investments in water. Reforms to develop, publish and observe such criteria would maximise their value and reduce suspicions of pork barrelling.
- Granting programs by governments in the water sector are overlapping, and may lack alignment with water reform objectives. These are lost opportunities.
- More dams (including in the MDB) continue to be talked about without meaningful policy guidance about the best ways to evaluate the proposals, both as individual projects and as alternative investments.
- Northern development continues to be discussed, indeed continues to proceed, without serious guiding policy principles and criteria. There is an opportunity to manage northern development much more strategically.
- Water industry exports continue to underperform their potential, given Australia's admirable record in water management.
- And Commonwealth/State relations in water continue to be fraught with dispute and disappointment. It needn't always be like this. Better inter-governmental processes can be designed. Better institutions can be built. Commonwealth funding can be used more creatively. Better Commonwealth/state relations can be developed. We certainly need them...

I recognise that's a lengthy list, and again, it's not exhaustive. The point I really want to make is that there is much to do, and no time to be lost. Impressive though they are, Australia's water reforms are far from 'done'. The water reform community-of-interest needs to make the case for progress to resume and press for the next reform chapter to begin.

Some of the areas of potential reform offer scope for economic mega-benefits over the years ahead. Others offer big environmental benefits. There are community and Indigenous benefits there for the taking. There are opportunities for rural/urban reconciliation. Ministers: done right, there are even big political kudos waiting for those who demonstrate the necessary leadership to take this on.

But I recognise I am not the first to call for a renewed water reform agenda. Yet nothing has happened. Why? I suspect it is because the processes for initiating and carrying forward national water reform are tired and compromised, and after the herculean effort of the Murray Darling Basin Plan our Commonwealth/State processes for national water reform have ground almost to a standstill.

So here's a suggestion for a better way. And again, I acknowledge Peter Cullen who was a great believer in reform incentives and the benefits of independent reform advice.

What if Australia introduced a system for tackling water reform, as follows:

- An independent panel be appointed to identify and recommend a menu of desirable water reforms for each state or territory. Given each state's different legislation, institutional arrangements, histories, and regional water conditions there would likely be a different set of reforms recommended for each state.
- The specific reforms would be designed strictly independently by the panel, avoiding negotiations with the states which may otherwise rule out or 'round down' the most challenging reforms.
- The Commonwealth water minister would select from the menu of independently recommended reform options to develop and publish a 'Water Reform Challenge Package' for each state.
- At the same time the Commonwealth would publish an incentive payment offer for each reform in each state's package. The payments would be matched to the degree of difficulty of each reform. Negotiations with the state on the size of the incentive payment would be possible.
- It would be up to each state to decide whether the 'price is right' to undertake any particular reform. The incentive payments could be used to meet the costs of the reform, or to compensate parties affected by the reform, or could simply go to the state's budget bottom line.
- The independent panel could also put pressure on the Commonwealth itself, by independently designing and publishing reforms to Commonwealth water arrangements and facilitating negotiations with Treasury/Finance on budget incentives to take them on.

A process along these lines would have many advantages:

- A refreshed, coherent, mutually-reinforcing national water reform strategy could be developed by the independent panel, avoiding the stop/start, uneven and partial efforts that have characterised reform attempts over the last decade.
- The usual Commonwealth / state negotiated compromises in specifying the precise reform to be tackled, would be avoided.
- More difficult reforms from which governments have shied away for decades could be revisited. Central agencies, especially treasuries, in state governments would bring pressure to bear on water departments to accept the reform challenges and collect the incentive payments. There may also

be significant public pressure within a state if large incentive payments on offer were not taken up.

- The necessary funds to undertake reforms would become available to the water agencies (after all, serious reforms do typically have serious costs to implement).
- The Commonwealth water minister would be able to show leadership in re-launching national water reform, while the states would not be obliged to participate unless they judged the incentive and other benefits to be adequate.
- Note that the independent panel's agenda for reform need not be a once-only; it could be revised and refreshed every year or so. Note also that the whole process need not be limited to the water sector only. The same process could be adopted for any sector of the economy where a renewed reform agenda was judged desirable.

But why am I proposing this now for the water sector? Because over twenty years ago, our friend Peter Cullen started us on a very long campaign to improve the way we manage water in Australia. Already we are enjoying some big benefits. But there is so much more to be done.

I worry that the water reform campaign has been slowly grinding towards a stop. Governments' appetite for a new round of ambitious reforms is weak. Some ministers are sending signals that they just don't want to hear about it. In this environment, the voices of rationality and science - people like most of us here tonight, people who would normally be pressing for reform to resume - seem to have become muted, perhaps self-censored.

Peter, if he were here tonight, would be urging us in his charming way, to stand up, find our public voices again, and resume that long march. The 'budget incentives for specific reforms' approach might be one way of re-starting the Peter Cullen water reform journey.

Thank you.

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