

The Hon. Dr David Kernp MP
Minister for the Environment and Heritage

Ms Julie Morgan 12 JAN 2004
Conference of Leaders of Religious Institutes In New South Wales
PO Box 259
ROSEBERY NSW 1445

Dear Ms Morgan

Thank you for your letter of 30 September 2003 on the need for effective cross border water management and for your congratulations on the decision to provide funding to address over-allocation of water in the Murray-Darling Basin.

On 14 November 2003 the Murray-Darling Basin Ministerial Council, of which I am a member, acknowledged that the health of the River Murray system is inextricably linked to the health and economic success of the communities it supports and agreed to a 'first step' proposal. This decision marks the beginning of a number of collective actions to return the system to a healthy working river.

The 'first step' will initially focus on achieving significant environmental benefits for six ecological assets on the River Murray: Barmah-Millewa Forest; Gunbower and Koondrook-Perricoota Forests; Hattah Lakes; Chowilla Floodplain (including Lindsay-Wallpolla); the Murray Mouth, Coorong and Lower Lakes; and the River Murray channel. This will require effective management of up to 500 gigalitres of water each year, likely to be recovered over five years. A part of the 'first step' will also include a comprehensive community engagement and communications strategy that will inform, involve and seek community input to the nature and elements of the first step.

The Australian Government is working strenuously with governments at all levels and the community to facilitate a nationally consistent and fair approach to the sustainable management of Australia's precious water resources.

At its 29 August 2003 meeting, the Council of Australian Governments (CoAG) agreed to the Australian Government's proposal for a National Water Initiative to progress water reforms. The aim of the National Water Initiative is to improve investor confidence and economic efficiency, while also protecting resource condition and environmental assets. Although the detail is yet to be developed, key features of the National Water Initiative are:

- A nationally compatible system of water access entitlements; and
- Institutional arrangements to recover and manage environmental water, and to invest in water savings.

Efficient allocation of water requires resource access rights to be tradeable and secure, and water use rights to be exclusive. The lack of compatibility of water rights across the Murray-Darling Basin States, for example, is a significant impediment to effective and expanded water trade in the Basin. Trading allows the transfer of water to higher value end uses, increasing the economic value of production derived per unit of water, and encourages greater water use efficiency. Improving water use efficiency is a key mechanism to make more water available to Australian industry, particularly agriculture. This is obviously a priority in a country where water is scarce and heavily relied upon for our economic and social well-being.

The National Water Initiative will also address issues of concern to urban water users, such as water reuse and stormwater management, and water use efficiency for domestic water using devices.

This vital policy initiative complements the Australian Government's major natural resource management programs, the Natural Heritage Trust and National Action Plan for Salinity and Water Quality. Since 1996, at least \$365 million has been provided through the Natural Heritage Trust for programs and research within the Murray-Darling Basin. The \$1 billion extension to the Natural Heritage Trust will ensure significantly enhanced funding is available to address natural resource management problems in the Basin. In addition, the \$1.4 billion National Action Plan represents a comprehensive national approach to dealing with salinity and water quality problems. Nine of the 21 regions being addressed by the National Action Plan are located in the Basin.

Thank you for your interest in this very important issue.

Yours sincerely

DAVID KEMP