

COUNCIL OF AUSTRALIAN GOVERNMENTS' MEETING

ADELAIDE

26 MARCH 2008

COMMUNIQUE

The Council of Australian Governments (COAG) held its 21st meeting today in Adelaide. The Prime Minister, Premiers, Chief Ministers and the President of the Australian Local Government Association, were joined by Commonwealth and State and Territory Treasurers. This meeting followed the successful meeting in Melbourne on 20 December 2007. It was the first COAG meeting ever to be held in Adelaide and was the first of four COAG meetings to be held in 2008.

COAG Reform Agenda: Reforming and Investing for the Future

All Governments today made an historic commitment to a comprehensive new microeconomic reform agenda for Australia, with a particular focus on health, water, regulatory reform and the broader productivity agenda.

On health and hospitals, the Commonwealth agreed to commit an immediate allocation of \$1 billion to relieve pressure for 2008-09 on public hospitals. This \$1 billion is made up of the indexation of the previous Commonwealth allocation for 2007-08 plus a further \$500 million in additional new money. Overall this means an increase in Commonwealth funding for public hospitals for 2008-09 of 10.2 per cent. This decision reverses the national trend of Commonwealth cutbacks to hospital funding over the past five years.

COAG also agreed that in developing the new health care agreement there would be a review of the indexation formulas for the years ahead. COAG also agreed that the new Australian Health Agreement should move to a proper long-term share of Commonwealth funding for the public hospital system.

COAG agreed that the new health care agreement would be signed in December 2008 with a commencement date for the new funding arrangements of 1 July 2009.

COAG also agreed for jurisdictions, as appropriate, to move to a more nationally-consistent approach to activity-based funding for services provided in public hospitals – but one which also reflects the Community Service Obligations required for the maintenance of small and regional hospital services.

COAG agreed to the introduction of a national registration and accreditation system for health professionals and steps to address health workforce skills shortages.

COAG also made a major breakthrough on water with the agreement to a Memorandum of Understanding on Murray-Darling Basin Reform. This agreement will now enable the necessary action to address over allocation, improve

environmental outcomes, and enhance the efficiency of irrigation in a concerted effort to achieve an environmentally-sustainable future for the Basin. See Attachment A.

COAG has agreed a far reaching and accelerated business regulation reform agenda across 27 areas of regulatory reform, to enhance productivity and workforce mobility by cutting the costs of regulation. See Attachment B.

On the broader productivity agenda, COAG has today for the first time ever embraced significant, long-term and ongoing reforms across all aspects of education - early childhood development, schooling and vocational education and training.

Sweeping reforms to the architecture for Commonwealth-State funding arrangements will enable the States to deploy Commonwealth specific purpose payments (SPPs) more effectively and creatively, enhance public accountability and sharpen the incentives for reform through new National Partnerships (NP) agreements.

Other agreements today include:

- COAG is working to ensure sustainable water supply and has expanded the CSIRO assessments of Sustainable Yields so that for the first time Australia will have a comprehensive scientific assessment of sustainable water yield in all major river systems across the country;
- COAG has for the first time embraced a new national approach to addressing climate change through a national emissions trading scheme and complementary policies and measures that achieve emission reductions at least cost;
- COAG has also agreed a nationally-coordinated approach to planning for, and facilitating, Australia's infrastructure needs;
- COAG is well on track in delivering vital initiatives to assist housing affordability and reduce the number of homeless people; and
- COAG has set practical goals and agreed more than 23 specific actions across its agenda, aimed at closing the gap on Indigenous disadvantage.

The COAG Reform Agenda will boost productivity, workforce participation and geographic mobility, and support wider objectives of better services for the community, social inclusion, closing the gap on Indigenous disadvantage and environmental sustainability.

This new platform for cooperative reforms and investments - to strengthen our economy, empower more Australians to participate in, and contribute to, our economy, and make efficient and sustainable use of our natural resources - will deliver real benefits for Australian families and their communities, not only today but over a generation.

The COAG Reform Agenda is underpinned by a common commitment to clear goals, genuine partnership and the governance and funding arrangements needed to deliver real reform. A fresh spirit of goodwill has delivered breakthrough agreements in

areas unresolved by COAG for too long. It will move on from the blame game to make federalism again work to deliver real outcomes in the national interest.

A New Reform Framework

Critical to the partnership approach is the reform of the architecture of Commonwealth-State financial relations. On the recommendations of Treasurers, COAG agreed on the key elements of a path breaking new Intergovernmental Agreement on Commonwealth-State financial arrangements, which will be finalised by the end of 2008 following extensive work by Treasurers and COAG Working Groups to settle outputs, outcomes, reforms, performance indicators and funding arrangements.

The new financial framework will result in a significant rationalisation of SPPs, primarily through combining many into a smaller number of new national SPP agreements, without a reduction in total Commonwealth funding for these activities. This reform will see a reduction from the current 92 SPPs to five or six new national agreements for delivery of core government services – health, affordable housing, early childhood and schools, vocational education and training, and disability services.

These reforms will clarify roles and responsibilities, reduce duplication and waste and enhance accountability to the community. The objectives and outcomes for each of the new agreements will replace input controls in current agreements.

The new agreements will focus on agreed outputs and outcomes, providing greater flexibility for jurisdictions to allocate resources to areas where they will produce the best outcomes for the community.

New NP arrangements will provide incentives for reforms, or for funding for specific projects, in areas of joint responsibility, such as transport, regulation, environment, water and early childhood.

For all new arrangements, a new performance and assessment framework will be developed to support public reporting against performance measures and milestones. Funding for, and the details of, the new agreements will be negotiated during the balance of this year, with the final Intergovernmental Agreement to be considered by COAG in December 2008.

To enhance accountability and promote reform, COAG agreed a new and expanded role for the COAG Reform Council (CRC). When requested by COAG, the CRC will report to the Prime Minister on the publication of nationally-comparable performance information for all jurisdictions in relation to individual national SPPs and the independent assessment of predetermined milestones and performance benchmarks under the proposed NP arrangements. It will also be responsible for monitoring the aggregate pace of activity in COAG's agreed reform agenda. Attachment C provides further details on the CRC's expanded role.

This new architecture for Commonwealth-State financial arrangements provides the platform for wide ranging policy reforms to improve economic, social and environmental outcomes.

Implementing Commitments and Driving Further Reforms

COAG noted the 26 implementation plans it commissioned of its seven Working Groups, chaired by Commonwealth Ministers, at its meeting at 20 December 2007. COAG agreed on further reforms in a number of areas.

COAG acknowledged that the Commonwealth should be responsible for its election commitments. In a number of the reports from Working Groups Commonwealth election commitments have legitimate and additional financial implications for the States and Territories. Consideration of these costs will be included as an addition to the work of Treasurers in the final determination of the new generation SPPs at year's end.

Productivity, Education, Skills and Early Childhood. For the first time all governments have agreed on a common framework for reform of education, a key step in the Education Revolution. COAG has endorsed a comprehensive set of the aspirations, outcomes, progress measures and future policy directions in the key areas of early childhood, schooling and skills and workforce development that will guide education systems across the nation, building on the initiatives currently underway across States and Territories. COAG has also today agreed to four additional high-level targets that it will use to measure the achievement of reform in Indigenous educational attainment and the vocational education and training sector.

COAG also committed to several key strategies to strengthen early childhood education and care, roll out the computers in schools and the trade training centres programs and provide additional training places under Skilling Australia. As an early priority, COAG has agreed to the development of a national partnership agreement focused on the particular educational needs of low socio-economic status school communities. This partnership will form part of the national education funding agreement to be introduced at the beginning of 2009.

Business Regulation and Competition. COAG endorsed a far reaching reform agenda for reducing the costs of regulation and enhancing productivity and workforce mobility in areas of shared Commonwealth and State responsibility. This exciting new broad agenda replaces words with actions, and reviews with fundamental micro-economic reforms. The agreed implementation plan is at www.coag.gov.au.

COAG agreed to 27 areas of regulatory reform. This includes a landmark Intergovernmental Agreement by May 2008 to harmonise occupational health and safety laws. COAG agreed that this is a top priority and that governments will closely examine the scope for a reduced implementation timetable at its meeting in July 2008.

COAG also agreed breakthroughs on 12 further regulatory reforms including trade measurement, environmental assessment and approval processes, rail safety regulation, product safety, trade licensing, further payroll tax harmonisation and institutional lending arrangements. COAG also agreed to an ambitious new COAG

regulation reform agenda covering nine areas - standard business reporting, food regulation, mine safety, electronic conveyancing, upstream petroleum (oil and gas) regulation, maritime safety, wine labelling, directors' liabilities and financial service delivery.

COAG welcomed and endorsed the CRC's first report on the importance of, and the progress being made in, the implementation of previously agreed competition and regulation reforms under the National Reform Agenda. COAG agreed, *inter alia*, to the CRC's recommendation that options be developed to assist those jurisdictions with limited legislative drafting resources to meet their current commitments and obligations.

Health and Ageing. In addition to the decisions on health funding already described, COAG agreed to the implementation of health reform in three stages.

- The first stage involves immediate action on Health Workforce Registration and transitional arrangements for the current healthcare agreement. These lay the foundation for longer term reform of the health system.
- The second stage involves COAG consideration at the December 2008 meeting of the new National Healthcare Agreement as part of the broader SPP Financial Framework. There will also be potential NP payments for medium-term health reform from July 2009.
- In the third stage, when the National Health and Hospitals Reform Commission (NHHRC) report of June 2009 is available, COAG will consider additional longer term health reform to be implemented either as updates to the National Healthcare Agreement or as new NP agreements over time.

COAG also took a major step towards improving Australia's health system by signing an Intergovernmental Agreement on the health workforce. This agreement will for the first time create a single national registration and accreditation system for nine health professions: medical practitioners; nurses and midwives; pharmacists; physiotherapists; psychologists; osteopaths; chiropractors; optometrists; and dentists (including dental hygienists, dental prosthetists and dental therapists). The new arrangement will help health professionals move around the country more easily, reduce red tape, provide greater safeguards for the public and promote a more flexible, responsive and sustainable health workforce. For example, the new scheme will maintain a public national register for each health profession that will ensure that a professional who has been banned from practising in one place is unable to practise elsewhere in Australia.

In another boost to the health workforce, COAG agreed that Skills Australia would be asked to advise COAG at its July 2008 meeting on the possible allocation of up to 50,000 additional vocational education and training places over three years from 2008-09 for areas of national skills shortage in health occupations (including vocationally-trained nursing, emergency care and allied health occupations).

COAG also agreed key health reform priorities for further work ahead of consideration of proposals by COAG no later than October 2008.

Water. Australia faces major challenges in ensuring sustainable water supply in the face of a drying climate and rising demand for water. Cooperative partnerships between the Commonwealth and all States and Territories is the key to addressing the water challenge across the country. This was recognised as far back as 1901 where the need for cooperation on the water sharing for the Murray River at the time of the ‘Federation drought’ was palpable. The pressures are far stronger today.

COAG has today agreed in principle to a Memorandum of Understanding on Murray-Darling Basin Reform for immediate consultation with stakeholders. This agreement is as significant now as was the agreement of a century ago. We have for the first time in the Basin a cooperative and accountable governance arrangement, which will enable genuine whole of Basin water management to restore the environment and ensure sustainable agriculture in the future. Significantly, COAG also agreed that providing for critical human needs will be included in the Basin plan.

Governments will consult with stakeholders immediately on the implementation of the Memorandum of Understanding and have committed to sign an Intergovernmental Agreement at the July 2008 COAG meeting.

In reaching this agreement, the Commonwealth has agreed in principle to fund 90 per cent of the project costs, up to \$1 billion of the Stage Two Food Bowl Project in Victoria, subject to a due diligence assessment and delivery of half the gains in additional flows to the Murray River. In considering priority projects in its due diligence assessment, the Commonwealth recognises that in States such as New South Wales and South Australia, infrastructure is privately owned. The Commonwealth will work with irrigators in these regions to ensure equitable consideration of funding proposals. Between now and the next COAG meeting the Commonwealth will agree with the governments of New South Wales, Queensland, South Australia and the Australian Capital Territory on priority water savings projects in the Murray-Darling Basin for priority Commonwealth funding.

The Commonwealth has also agreed to take on the States’ liabilities under the National Water Initiative risk sharing arrangements for new knowledge.

COAG agreed to set in train immediately a series of actions to report by July this year to coordinate efforts in purchasing water for the environment, enhance the effectiveness of water markets and assess water supply in remote communities, including Indigenous communities.

As part of a renewed approach to national urban water reform, leveraged through \$1.5 billion in new Commonwealth Government urban water security programs, COAG has agreed to release for consultation eight key principles for urban water reforms.

COAG also commissioned the development of a comprehensive new work program of water reform to address over allocation and improve environmental outcomes, and to address the key challenges in urban water with the final proposal to be put forward for its consideration in October 2008.

Climate Change. Climate change represents one of the greatest economic and environmental challenges of our age. The projections for Australia of the impacts of

climate change are serious: a drying climate in our traditional agricultural area; a greater frequency of floods; droughts and storms; and, the impacts of higher temperatures on community health.

The introduction of an emissions trading scheme to achieve emission reductions will constitute the most significant economic and structural reform undertaken in Australia since the trade liberalisation and financial market reforms of the 1980s. COAG stressed the urgency of the current work to bring together the different approaches on renewable energy targets to combine into one national scheme in order to provide consistency for investors looking to support Australia's renewable energy industry. In addition, COAG agreed to consider options for a harmonised approach to renewable energy 'feed in tariffs' in October 2008.

COAG confirmed its commitment to cooperative concerted action to address climate change and agreed to finalise a comprehensive framework for addressing climate change at its October 2008 meeting.

Infrastructure. COAG agreed that a more nationally-coordinated approach to further infrastructure reform is critical to enhance Australia's future economic performance and raise national productivity. As a critical first step, COAG agreed that the immediate priorities for Infrastructure Australia over the next 12 months were the completion of the National Infrastructure Audit by end 2008, the development of an Infrastructure Priority List for COAG consideration in March 2009 and the development of best practice guidelines of Public Private Partnerships for COAG's consideration by October 2008.

Housing. COAG identified the decline in housing affordability as a pressing issue for Australians and recognised that improving affordability is critical to addressing financial stress and disadvantage, including for Indigenous communities.

COAG agreed to implement five key housing initiatives: to facilitate improved housing supply through identifying surplus government land suitable for housing development; provide incentives to construct affordable rental housing; lower the burden of infrastructure and regulatory costs built into the purchase price of a new home; improve the evidence base for housing policy and program development; and, support the most needy in society through joint Commonwealth-State investment in 600 houses and units for homeless people.

COAG agreed to the distribution of \$150 million to deliver new homes for homeless people. These funds will be distributed with reference to the number of homeless people in each jurisdiction, with a guarantee for smaller jurisdictions that no State or Territory will receive less than \$1 million per annum.

COAG welcomed the decision of the Commonwealth to provide \$30 million from the Housing Affordability Fund for the roll out of electronic Development Applications in local government with a priority focus on high growth areas. COAG requested the Local Government and Planning Ministers' Council to make the implementation of this work a priority.

Indigenous Reform. COAG reaffirmed its commitment to close the gap on Indigenous disadvantage and agreed to a new national target for its reform agenda - halving the gap in Indigenous employment outcomes within a decade. COAG agreed on a series of specific actions across health, education, affordable housing and water supply, that will begin to improve the lives of Indigenous Australians, including to provide at least 48,000 dental services to Indigenous people over four years under the new Commonwealth Dental Health Program, targeting the needs of Indigenous Australians through the Transition Care initiative, the elective surgery waiting list reduction plan and the Place to Call Home program for homeless people.

COAG asked the Indigenous Reform Working Group to bring forward a reform proposal on Indigenous Early Childhood Development to the COAG meeting in July 2008. COAG also asked the Working Group to bring forward sustainable reform proposals no later than the COAG meeting in October 2008 on basic protective security from violence for Indigenous parents and children, remote service delivery and workforce planning, and economic participation and active welfare.

Binge Drinking. COAG today agreed on the importance of tackling alcohol misuse and binge drinking among young people. COAG agreed to ask the Ministerial Council on Drug Strategy to report to COAG in December 2008 on options to reduce binge drinking including in relation to closing hours, responsible service of alcohol, reckless secondary supply and the alcohol content in ready to drink beverages. COAG also asked the Australia New Zealand Food Regulation Ministerial Council to request Food Standards Australia New Zealand to consider mandatory health warnings on packaged alcohol.

Gambling. COAG agreed to continue to discuss issues related to problem gambling.

Review of Mutual Recognition Arrangements. COAG has requested that the Productivity Commission undertake a further review of the mutual recognition arrangements and report back to it and the New Zealand Government no later than the end of 2008.

World Cup Bid. All governments have agreed to work cooperatively with Football Federation Australia in support of its bid to host the 2018 Football World Cup in Australia.

Ministerial Councils. COAG also agreed to establish two new ministerial councils – one on ageing and the other on international trade. The new Ministerial Conference on Ageing is to facilitate a consistent and coordinated approach to ageing and aged care policy across all levels of government, including reduced duplication of effort and better continuity of service delivery.

Next Meeting. Following a request from the New South Wales Government COAG agreed to hold its next meeting in Sydney on 3 July 2008.

Murray-Darling Basin Reform

Memorandum of Understanding 26 March 2008

Agreed in principle for consultation with stakeholders

Preamble

1. In order to implement co-operative, efficient and effective arrangements in the Murray-Darling Basin, the Commonwealth and the Murray-Darling Basin States – New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory – have agreed that the Murray-Darling Basin Authority and the Murray-Darling Basin Commission be brought together as a single institution, to be known as the Murray-Darling Basin Authority.
2. The new, independent Authority will be responsible for developing, implementing and monitoring the Basin Plan, which will include a sustainable cap on surface and groundwater diversions across the Basin. The Basin Plan will provide for the critical human water needs of communities that use water from the Murray River and its tributaries, a sustainable industry and enhanced environmental outcomes. The Basin Plan will recognise critical human needs as a priority and establish a decision-making process for determining the method for securing this water. The new Authority will also be responsible for the current functions of the Office of the Murray-Darling Basin Commission.
3. With this Memorandum of Understanding (MOU), Governments have committed to sign an Intergovernmental Agreement at the July 2008 COAG meeting. Governments will consult with stakeholders immediately on the implementation of this MOU and have asked officials to prepare for the July meeting an Intergovernmental Agreement (IGA) and recommendations on any other arrangements required to implement this MOU.

Heads of Agreement

Institutional Structure and Governance

4. The Murray-Darling Basin Authority and Murray-Darling Basin Commission (MDBC) would be brought together as a new, single institution, to be known as the Murray-Darling Basin Authority (MDBA).
5. Through the report to the July 2008 COAG meeting, the Basin jurisdictions will determine the functions of the MDBC set out in the existing MDB Agreement and the MDB Acts to be transferred to the MDBA and reflected in the Water Act or the IGA, as appropriate.

6. The Commonwealth will consult with the Basin States on the appointment of the Authority members.
7. All existing staff of the Office of the MDBC will be transferred to the new Authority, noting that their high level of expertise and experience will make a valuable contribution to the work of the new Authority.
8. The new MDBA will have two roles: it will be responsible for developing and implementing the Basin Plan, as provided for in the Water Act; and, will also be responsible for the current functions of the MDBC.
9. The MDBA will provide a Basin Plan in early 2011.
10. As provided for in the Water Act, the Commonwealth Minister is the decision maker on the Basin Plan. If the Commonwealth Minister decides not to adopt the Basin Plan, then the Commonwealth Minister would give the Basin Plan back to the Authority with suggestions for consideration by the Authority. If the Minister declines to accept the revised Basin Plan, then the Minister must provide to the Parliament reasons for directing the Authority to make modifications to that version of the Basin Plan.
11. A new Ministerial Council will be established, comprising all Basin States and chaired by the Commonwealth.
12. The new Council will provide advice to the Commonwealth Minister on the Basin Plan, including the sustainable cap on surface and groundwater diversions, and monitoring the Plan's performance.
13. If all, or any, Basin State Minister(s) disagree with the cap or other relevant parts of the Basin Plan, these matters would be referred back to the Authority for reappraisal. The Authority would then return the Basin Plan to the Ministerial Council for its advice. The Plan would then be submitted to the Commonwealth Minister for decision.
14. This advisory role of the new Council will be formalised in the Water Act 2007, or as otherwise agreed.
15. In relation to the existing functions of the MDBC (state water shares, River Murray operation, the Living Murray Initiative and natural resource management programs, such as salinity and fish), the Authority would report to the new Ministerial Council.
16. Current state Water Shares, as defined by the MDB Agreement and subsequent MDB Ministerial Council and MDBC decisions, will be preserved unless otherwise agreed by all signatories to this MOU.
17. The Basin Officials' Committee, provided for in the Water Act, will be an officials' decision-making body in relation to the existing functions of the

MDBC that will now be performed by the MDBA. Basin Officials will have a role analogous to that of MDB Commissioners, which will be abolished.

18. An external review will be commissioned to examine the most efficient way for the MDBA to perform for the Basin States the current functions of the MDBC. This will address the governance and delivery arrangements for programs and projects. This external review will be an input to the report by officials to the July 2008 COAG meeting.
19. Reflecting the current arrangements for the MDBC, the Basin States will contribute financially to the MDBA for the functions currently performed by the MDBC.

Other Matters

Commonwealth Investments

20. In determining the allocation of investment funding to projects within a Basin State, the Commonwealth will have regard to progress towards the following key reform outcomes:
 - competitively neutral and independently regulated water market and trading arrangements across the southern connected Basin;
 - water charging regimes that reflect the full cost of supply to end users including externalities; and
 - publicly accessible and compatible water register arrangements across all Basin jurisdictions (including a national water register information database).
21. The Commonwealth will also have regard, among other things, to the following investment priorities:
 - strategic investment to accelerate development of a best practice and consistent Basin water modelling platform, noting that the MDBA will be developing such a platform in consultation with Basin States;
 - infrastructure investments that capture and return water losses and reduce system evaporation losses; and
 - purchasing water for the environment from willing sellers.
22. The Commonwealth will conduct a due diligence assessment of priority projects nominated by Basin States for funding under the \$10 billion plan. The Commonwealth will establish a process for Basin states and other proponents to submit priority projects for their jurisdictions. The Commonwealth recognises that in States such as New South Wales and South Australia, infrastructure is privately owned. The Commonwealth will work with irrigators in these regions to ensure equitable consideration of funding proposals.
 - The Commonwealth Government has agreed in principle to fund 90 percent of the total project costs, up to \$1 billion, of the Stage Two Food Bowl Project in Victoria, subject to a joint due diligence assessment and the delivery of half the gain in additional flows (around 100 billion litres) to environmental flows into the Murray River. This

project will also deliver a volume of water for farmers equivalent to that available for environmental flows, helping ensure the future for Victorian irrigators. Work would commence in 2009-10 with the project providing significant benefits to the economy and the environment.

- Jurisdictions will ask the MDBC to accelerate work on a number of feasibility studies to assess the proposed schemes to manage better environmental and irrigation issues, including those in relation to the Barmah Choke.
- Between now and the next COAG meeting, the Commonwealth will agree with the governments of New South Wales, Queensland, South Australia and the Australian Capital Territory on priority water savings projects in the Murray-Darling Basin for priority Commonwealth funding.

23. If following the due diligence, the Commonwealth agrees to contribute funds to a project, progress payments would be made by the Commonwealth, subject to the Basin State achieving agreed outcomes for water reform.

Commonwealth-State Water Management Partnerships

24. Within the Basin, access to funds under the Commonwealth's \$10 billion plan will be linked to MDB reform outcomes. In this context, the Commonwealth and Basin States will enter into Commonwealth-Basin State Water Management Partnerships to assist States implement water reforms. These partnerships could cover improving water registers, scientific work for new water resource plans, monitoring and enforcement and structural adjustment funding if communities are severely adversely affected. Commonwealth assistance would depend on States achieving agreed outcomes, and would only be for additional or new costs arising from reform, including implementation of the Basin Plan.

25. Overall, the States will not bear additional net costs as a consequence of the reforms set out in this MOU and the implementation of the Water Act.

Australian Competition and Consumer Commission (ACCC)

26. Under the Water Act, the water charge rules can provide for the ACCC to determine water charges in the Basin. The ACCC advises the Commonwealth Minister on water market rules in the Basin.

27. The Parties endorse the importance of the ACCC performing these roles to ensure efficient, transparent markets and charges in the Basin and ask that officials recommend the way in which the role of the ACCC might be strengthened, as part of their report to the July 2008 COAG meeting.

Critical Human Water Needs

28. All Basin jurisdictions note that by not providing for critical human needs, there is a gap in the Basin Plan.

29. The Basin Plan process must ensure that situations are avoided where water for critical human needs is not provided.
30. Jurisdictions agree that the approach to addressing critical human needs should provide as much certainty as possible, while preserving the flexibility required to deal with differences in circumstances.
31. The Working Group on Climate Change and Water will report back to COAG in July 2008 with advice as to how the Basin Plan will address the provision of water for critical human needs.
32. Jurisdictions agree that South Australia will have access to upstream storages for the purposes of South Australia meeting its responsibilities for critical human needs, subject to implementation arrangements being agreed by Basin jurisdictions.

Complementary Management of Environmental Water

33. All Basin jurisdictions agree to examine the way in which environmental water recovery programs should be managed to ensure they are cost effective and maximise environmental outcomes.

Enforcement of the Basin Plan

34. All Basin jurisdictions support the audit, monitoring and enforcement provisions of the Water Act. They agree to work with the MDBA to develop enforcement arrangements to complement the Act's enforcement provisions to protect States' shares and ensure compliance within catchments.

Risk Assignment Framework

35. The Commonwealth agrees to bring forward the risk assignment framework in the National Water Initiative, and incorporated in the Water Act 2007, to commence from the date at which existing water resource plans in the Murray-Darling Basin cease to have effect. (The Parties note that South Australia has four plans which cease to have effect between 21 December 2012 and 1 July 2014 for the purposes of the Water Act; New South Wales has 14 plans which cease to have effect on 1 July 2014; Queensland has four plans which cease to have effect on 1 September 2014. The new arrangement would apply to these plans.)
36. The Commonwealth agrees to further amend Division 4 of Part 2 of the Water Act 2007 such that the Commonwealth's share of any reduction in water availability (and therefore responsibility for compensation liability) includes 100 per cent of the new knowledge components of those reductions in long-term sustainable diversion limits that exceed three per cent of the relevant diversion limit.

37. The Commonwealth agrees to honour all existing water resource plans in all jurisdictions, including Victoria's plans that continue until 2019.

Improved Environmental Outcomes

38. Jurisdictions recognise that the extreme drought has exacerbated the Basin's environmental situation. Continued low flows to Ramsar and other icon sites, including the Lower Lakes, Coorong and Murray Mouth, is resulting in serious environmental degradation.

39. The Basin Plan will provide for improved environmental outcomes across the Basin.

40. Importantly it would seek to improve the status of all Ramsar sites (including the Lower Lakes, Coorong and Murray Mouth) and other key environmental sites in the Basin, with important environmental outcomes such as increasing environmental flows, healthier wetlands, protection of floodplain areas and River Red Gums.

41. The new Ministerial Council would implement actions to assist in addressing these outcomes through its decision-making powers associated with the Living Murray Initiative, natural resource management programs, and River Murray operations.

A New Approach to Murray-Darling Basin Reform

42. The Parties declare that the agreement set out in this MOU is a new partnership for the management of the Murray-Darling Basin.

43. This MOU implements sound principles of Federal-State relations by assigning the Basin wide planning role to the MDBA and the Commonwealth Minister, while providing for clear participation by Basin States in decision-making and affirming the autonomy of Basin States to manage water within catchments.

44. This MOU removes the conditionality of the IGA proposed by the previous Commonwealth Government. In this context, the Basin States are pleased that, as an expression of good faith, the Commonwealth has already been undertaking consultations with Basin States about the membership of the MDBA.

45. Specifically:

- a new Ministerial Council will be established, which will provide formal roles for Basin States in the Basin Plan and will decide on natural resource management programs, the Living Murray Initiative, State water shares and River Murray operation;
- Basin State water authorities will make available water determinations; and

- State authorities will make river flow directions for the Goulburn and Murrumbidgee Rivers. (These two matters will not be the responsibility of the MDBA, which is what the previous Commonwealth Government had proposed.);
- there will be a new, cooperative approach to environmental water management by the Parties;
- unlike the previous Commonwealth Government's proposal, there will be funding available to States under new partnership arrangements for such things as improved water resource plans, monitoring and enforcement, and structural adjustment; and
- access to funds under the \$10 billion plan will be conditional upon achieving agreed water reform objectives rather than the referral of powers sought by the previous Commonwealth Government.

Next Steps

46. Having agreed this MOU, the Parties further agree:
- to commence immediate consultation with stakeholders on the implementation of this agreement; and
 - that the Commonwealth convene a group of officials from the Basin States to develop an IGA and recommend any other arrangements required to implement this MOU.
47. The IGA for Murray-Darling Basin Reform will be submitted for signature by First Ministers at the next COAG in July 2008.

IN WITNESS WHEREOF this Agreement has been executed as at the day and year first written above.

SIGNED by:

The Honourable Kevin Rudd MP)
Prime Minister of the Commonwealth of Australia)

The Honourable Morris Iemma MP)
Premier of the State of New South Wales)

The Honourable John Brumby MP)
Premier of the State of Victoria)

The Honourable Anna Bligh MP)
Premier of the State of Queensland)

The Honourable Michael Rann MP)
Premier of the State of South Australia)

Mr Jon Stanhope MLA)
Chief Minister of the Australian Capital Territory)

ATTACHMENT B

BUSINESS REGULATION AND COMPETITION WORKING GROUP

Objectives:

- to accelerate and broaden the regulation reduction agenda;
- to accelerate the existing COAG hot spots agenda;
- to improve processes for regulation making and review; and
- to deliver significant improvements in Australia's competition, productivity and international competitiveness.

Achieving these objectives would increase productivity in Australia by reducing the regulatory burden on business, particularly where regulation falls across jurisdictional boundaries, and by re-energising the micro-economic reform process.

Regulatory Reform

COAG agreed a broad and bold regulatory reform agenda, involving 27 regulatory reform areas identified by the Working Group where progress will be achieved in 2008. These reforms will help deliver significant improvements in Australia's competition, productivity and international competitiveness, making it easier for companies and governments to do business in Australia. The 27 areas agreed by COAG for action, and set out in more detail in the Implementation Plan, are:

- national harmonisation of occupational health and safety (OH&S) laws. COAG agreed that this is a top priority and that its commitment to harmonisation would be reflected in an Intergovernmental Agreement by May 2008, with model legislation to be developed and submitted to the Workplace Relations Ministers' Council by September 2009 - COAG further agreed that governments should aspire to reduce the five-year implementation timeframe for OH&S and that it would consider the scope for a reduced implementation timetable at its meeting in July 2008;
- early action and progress in 2008 on a further 12 areas, including existing hotspots and new areas of reform, covering: environmental assessment and approvals bilaterals; payroll tax administration; trade licences; the Health Workforce Intergovernmental Agreement; national trade measurement; rail safety regulation reform; the consumer policy framework; product safety; trustee companies; mortgage credit and advice; margin lending; and, non-deposit taking institutions;
- significant progress to be made in accelerating the five remaining COAG hotspots - development assessment; building regulation; chemicals and plastics regulatory reform; Australian Business Number and business names registration; and Personal Property Securities reform;
- nine new areas to be added to COAG's regulation work program, covering standard business reporting; food regulation; a national mine safety framework; electronic conveyancing; upstream petroleum (oil and gas) regulation; maritime safety; wine labelling; directors' liabilities; and financial service delivery; and

- in relation to upstream petroleum, COAG agreed that the Productivity Commission undertake a review on the regulation of crude oil and natural gas projects that involve more than one jurisdiction and report back to COAG by April 2009.

COAG also agreed on the importance of ensuring the ongoing flow of new regulation is stemmed through a culture of continuous improvement. COAG asked the Working Group to report to it by the end of 2008 on possible further improvements to both regulation making and review, including examining processes to ensure no net increase in the regulatory burden and common start dates for legislation. COAG also asked the Working Group to consider whether further reforms are needed to ensure jurisdictions have best-practice regulation and review processes in place by end 2008:

- COAG noted that ensuring that the costs of both new and existing regulations are minimised is vital to reducing costs to businesses and consumers and to promoting improvements in Australia's productivity and competitiveness. This can be done by undertaking robust gatekeeping and impact assessment on the flow of new regulations and by also reviewing the stock of existing regulation; and
- under National Reform Agenda initiatives agreed by COAG in April 2007, jurisdictions are committed to maximising the efficiency of regulation, including through improvements to gatekeeper mechanisms, impact analysis and measuring compliance costs, by undertaking annual reviews to reduce the burden of regulation and by working with the Productivity Commission on its benchmarking study into the compliance cost of regulation. Jurisdictions are also committed to maintaining the impetus given to regulation reform in 2008.

Competition Reform

COAG further agreed the importance of implementing COAG's existing competition reform agenda as this will deliver significant improvements in Australia's competition performance, productivity and international competitiveness. COAG agreed the specific recommendations of the CRC in relation to the existing competition reform agenda.

COAG also agreed that the Working Group report back to COAG by the end of 2008 on new areas of competition reform including:

- appropriate models for future regulation of national markets such as for water trading, the energy market, consumer policy and regulation affecting national workforce mobility;
- unfinished National Competition Policy business; and
- other new competition reforms.

Weblink to Implementation Plan at www.coag.gov.au

ROLE OF THE COAG REFORM COUNCIL (CRC)

COAG agreed a new and expanded role for the CRC, to help enhance accountability and promote reform as part of the reformed Commonwealth-State financial arrangements.

COAG agreed a new and expanded role for the CRC, that, when requested by COAG, the CRC will report to the Prime Minister:

- on a case by case basis on the publication of performance information for all jurisdictions against national SPPs outcomes and progress measures;
- production of an analytic overview of performance information for each SPP, noting that the CRC would draw on a range of sources, including existing subject experts;
- the independent assessment of whether predetermined milestones and performance benchmarks have been achieved before an incentive payment to reward nationally-significant reforms under NP payments is made;
- through the assessment and reporting process, highlighting examples of good practice and performance, although not extending to a policy-advising role; and
- monitoring the aggregate pace of activity in progressing COAG's agreed reform agenda.

COAG also agreed that the CRC's role include:

- continuing to monitor and report on the implementation of those National Reform Agenda reforms referred to it by COAG in April 2007; and
- other matters referred unanimously by COAG.

COAG further agreed that:

- to assist the CRC in its role, the Productivity Commission report to COAG on the economic impacts and benefits of COAG's agreed reform agenda every two to three years (this overtakes the CRC's current role of ex post assessment of the costs and benefits of reforms referred to the CRC in April 2007); and
- COAG Senior Officials resolve:-
 - (a) the precise final details of the CRC's role in relation to the new performance reporting framework, informed by the work of the Ministerial Council for Commonwealth-State Financial Relations on that framework, and report back to COAG at the July 2008 meeting, and
 - (b) the implications of the CRC's role for other bodies and processes, including COAG's Steering Committee for the Review of Government Service Provision.