



**SUBMISSION TO THE PARLIAMENT OF AUSTRALIA, HOUSE OF
REPRESENTATIVES STANDING COMMITTEE ON REGIONAL
AUSTRALIA'S INQUIRY INTO THE IMPACT OF THE MURRAY-
DARLING BASIN PLAN IN REGIONAL AUSTRALIA**

DATE

December 2010

1. Introduction

The Local Government Association of NSW and Shires Association of NSW (the Associations) are the peak bodies for NSW Local Government.

Together, the Associations represent all the 152 NSW general-purpose councils, the special-purpose county councils and the regions of the NSW Aboriginal Land Council. The mission of the Associations is to be credible, professional organisations representing Local Government and facilitating the development of an effective community-based system of Local Government in NSW. In pursuit of this mission, the Associations represent the views of councils to NSW and Australian Governments; provide industrial relations and specialist services to councils and promote Local Government to the community.

The Associations thank the Parliament of Australia, House of Representatives Standing Committee on Regional Australia for the opportunity to make a submission to its Inquiry into the Impact of the Murray-Darling Basin Plan in Regional Australia.

The Murray-Darling Basin Authority (MDBA) is in the process of developing a water management plan for the Murray-Darling Basin (the “basin plan”) to return more water to the environment. The *Guide to the Proposed Basin Plan* released by the MDBA in October 2010 provides a first outline of what the final basin plan might entail. According to the guide, the basin plan is expected to result in significant reductions in water diversions for consumptive use (i.e. for agriculture, industry and human consumption, including town water supplies) which are likely to have significant socio-economic impacts on affected communities (e.g. reduction in irrigated agriculture and flow-on effects) as well as direct impact on councils’ town water supplies.

The Associations recognise the need for and support the implementation of sustainable levels of water diversion to protect the environmental health, resilience, and productive base of the Murray-Darling Basin’s river system. However, the Associations are concerned about potential impacts the basin plan might have on the social and economic fabric of regional communities.

This submission outlines the Associations’ concerns and makes suggestions as to how they can be addressed. Also, the Associations previously made a submission to the MDBA on the process of determining sustainable diversion limits which provides further details on this issue. The submission can be found as appendix to this submission.

2. Addressing socio-economic impacts

Despite considering socio-economic impacts on a broad and general scale, the *Guide to the Proposed Basin Plan* provides limited information on localised socio-economic impacts, transition opportunities for regional communities and structural adjustment needs.

The Associations believe it is essential that the process of identifying and addressing socio-economic impacts be strengthened. Importantly, socio-economic impact analysis needs to include full-cost analysis of localised impacts, identification of options for affected communities to make the transition to a future with less water and provision of structural adjustment assistance where required. To ensure communities understand the need for change and the challenges involved, this process needs to be built on genuine engagement with affected communities. Decisions on sustainable diversion limits, where possible, should take into account community preferences on the trade-offs between environmental water and water for other uses.

The Associations believe that this is a whole-of-government task that cannot solely be performed by the MDBA. The Associations therefore urge the Australian Government to ensure adequate mechanisms are put in place for analysing socio-economic impacts, identifying transition opportunities, and implementing structural adjustment assistance.

In this context, enhanced focus should be given to saving water for the environment by way of investment in water use efficiency and water saving infrastructure; e.g. under the Australian

Government's *Sustainable Rural Water Use and Infrastructure Program*. Such investment, as distinct from uncoordinated water entitlement purchases from willing sellers, would ensure that government spending remains in the regions, is available for economic adjustment and helps affected communities with the transition to a future with less water. In similar fashion, consideration should be given to how environmental water needs can be met in the most efficient way (e.g. by way of engineering solutions to delivering environmental water).

Addressing potential impacts on town water supplies

The Associations are concerned about how the basin plan will affect town water supplies and, in particular, Local Government's ability to plan and provide for the water needs of growing populations and economies in the Murray-Darling Basin.

The Associations represent council-owned and operated local water utilities which provide water supply and sewerage services to communities in regional NSW. These Local Government water utilities service over 1.8 million people – approximately 30% of NSW.

The Associations recognise that under the *Water Act (Cwth) 2007*, the basin plan and its sustainable diversion limits need to ensure that critical human water needs can be met and be given highest priority in state water resource plans implementing the basin plan. However, critical human water needs only capture a level of water use in events of very low water availability; not water use under normal conditions. To ensure communities, particularly communities in regional and rural areas, can maintain adequate living standards, social well being and economic development opportunities, it is crucial that water supplies for urban use are guaranteed taking into account actual and anticipated growth patterns (population and industrial development) experienced and planned for in communities. Considering that town water use, including water use by manufacturing and other industries that is supplied by Local Government water utilities, make up only a small proportion (about 4%) of total water use in the basin, priority to town water supplies can be given in the basin plan without affecting essential environmental flows.

Furthermore, to enable Local Government water utilities to undertake long term, sustainable water demand and supply planning for their communities, it is essential that the basin plan ensures a long term view is taken when planning for town water supply. The Associations understand that town water entitlements and allocations are to be determined by state water resource plans implementing the basin plan. However, the basin plan needs to require state water resource plans to provide a basis for planning by utilities by ensuring long term certainty of supply levels for all water availability scenarios. This is particularly relevant for utilities which do not have their own major storage facilities and are dependent on water allocation from regulated or unregulated rivers in the basin.

3. Conclusion

In conclusion, the Associations call on the MDBA and the Australian Government to work in concert with Local Government to ensure that socio-economic impacts of the final basin plan are addressed adequately and that required levels of town water supplies are guaranteed over the long term.

The Associations hope that their comments are of assistance and look forward to continuing to contribute to the development of a basin plan that improves the health and resilience of both the river system and the communities in the basin.

For further information on the Associations' submission, please contact, Sascha Moege, Senior Policy Officer

Appendix

LGSA, Submission on MDBA Issues Paper on Sustainable Diversion Limits, (2009)

Local Government
Association of NSW



Shires Association of NSW

<p>SUBMISSION ON THE MURRAY-DARLING BASIN AUTHORITY'S ISSUES PAPER ENTITLED DEVELOPMENT OF SUSTAINABLE DIVERSION LIMITS FOR THE MURRAY-DARLING BASIN</p>

<p>DATE</p>	<p><i>December 2009</i></p>
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Introduction

The Local Government Association of NSW and Shires Association of NSW (the “Associations”) thank the Murray-Darling Basin Authority (MDBA) for the opportunity to make a submission on its issues paper entitled *Development of Sustainable Diversion Limits for the Murray-Darling Basin*.

The Associations are the peak bodies for NSW Local Government. Together, the Associations represent all the 152 NSW general-purpose councils, the special-purpose county councils and the regions of the NSW Aboriginal Land Council. The mission of the Associations is to be credible, professional organisations representing Local Government and facilitating the development of an effective community-based system of Local Government in NSW. In pursuit of this mission, the Associations represent the views of councils to the NSW Government and the Australian Government; provide industrial relations and specialist services to councils and promote Local Government to the community and the media.

The Associations believe that, when making decisions on sharing water between the environment and consumptive use, social, economic and environmental considerations should be placed on an equal footing.

The Associations recognise that the *Water Act (Cwth) 2007* establishes a process for the integrated management of the Murray-Darling Basin and the setting of sustainable water diversion limits by the MDBA. At this stage, the Associations will confine their comments to improvements that can be made within the established process.

The Associations continue to call for adequate consideration of socio-economic impacts of diversion limits on regional communities. Sustainable diversion limits are expected to result in substantial reductions in water availability for consumptive use. This is likely to have significant socio-economic impacts on affected communities and regional economies (e.g. reduction in irrigated agriculture and flow-on effects). Less water for consumptive use also has the potential to directly affect council’s town water supplies and, as a result, impact on population and economic growth.

Addressing socio-economic impacts

The Associations note and welcome that socio-economic impacts associated with the setting of sustainable diversion limits are to play a more substantive part in the development of the Basin Plan under the *Water Act (Cwth) 2007*. In the Associations’ understanding of the issues paper, socio-economic issues are to be considered as follows:

- *Socio-economic analysis*
Comprehensive social and economic analysis is to be undertaken across the basin and for those irrigation areas of the basin which account for the largest proportions of current water diversions and might potentially be significantly affected by any changes in future water availability. The aim would be to determine the potential implications for a range of possible changes in water availability.
- *Socio-economic optimisation of sustainable diversion limit options*
Results of the social and economic analysis are to be used to optimise how, when and where the environmental water required to satisfy sustainable diversion limits can be delivered at least social and economic cost. This optimisation process appears to mainly look at alternative options for “sourcing” the water required for the environment, including sourcing the water from different catchments. For example, if environmental water for one catchment were sourced from a different catchment, the sustainable diversion limit of the former would increase and more water would be available for consumptive use. The issues paper indicates that there would be scope to review sustainable diversion limit options and re-run the hydrological modelling to facilitate adjustments for better social and economic outcomes.
- *Reporting on socio-economic implications*

Once sustainable diversion limits have been determined for inclusion in the proposed Basin Plan, an analysis of the social and economic implications is to be provided to the Murray-Darling Basin Ministerial Councils. The council includes basin state governments.

- *Transition period*

A 5-year transition period can be included in new state water sharing plans accredited under the Basin Plan where the sustainable diversion limit for a water resource is lower than the long term average quantity of water that had been taken from the resource for consumptive use. Temporary diversion provision are added to the sustainable diversion limits and reduced to zero within 5 years of the commencement of the new water sharing plan (in NSW in 2014).

However, the Associations believe that the suggested approach to addressing socio-economic impacts needs to be further strengthened as follows:

Socio-economic optimisation of sustainable diversion limit options

Results of socio-economic analysis should not only be used for optimising where environmental water is delivered from but also allow for a re-evaluation of what has been determined as key environmental asset and ecosystem function and associated environmental water requirement. In order to maximise social, economic and environmental benefits to communities, this re-evaluation must take into account community preferences about the trade-off between water for the environment and water for consumptive use, particularly where the determination of key environmental assets goes beyond setting minimum environmental water requirement necessary to maintain basic ecosystem functions.

In relation to optimising delivery options, the Associations seek clarification on the process and set of criteria for determining which sustainable diversion limit option would result in the “least social and economic cost”. This determination is a critical process as it inevitably requires a judgement about which regional economy/agricultural area is comparatively more or less valuable. In its issues paper, the MDBA indicates that criteria such as the gross value of irrigated agricultural production would play an important role. However, the issue paper does not indicate which social criteria would be relevant and whether communities would be consulted in the process. To ensure outcomes of this process are well understood and accepted by basin communities, a comprehensive set of social and economic criteria needs to be developed and applied and appropriate consultation with communities and other affected stakeholders be undertaken.

Finally, socio-economic analysis should not only look at direct impacts but also analyse and present transition options for communities in the event of reductions of water for consumptive use.

Reporting on socio-economic impacts and structural adjustment

To ensure the Australian Government and basin state governments are fully and regularly informed about social and economic implications, reporting on these implications to the Murray-Darling Basin Ministerial Council should be on a regular basis in conjunction with the rolling update of the Basin Plan and its sustainable diversion limits. Regular and comprehensive reporting on these implications and potential transition options should prompt and enable governments to implement structural adjustment assistance where required and appropriate. Furthermore, to enable communities to deal with these implications and adapt to necessary changes, reports should be made publicly available.

In addition, the Associations urge the Australian Government to establish an interdepartmental and whole-of-government approach to assessing the need for and implementing structural adjustment assistance based on the analysis of the social and economic implications undertaken under the Basin Plan. Coordination among relevant government agencies and ministerial offices will be crucial in providing assistance in the most effective, efficient and equitable way.

Town water security and critical human needs

In their role, the Associations represent council-owned and operated local water utilities which provide water supply and sewerage services to communities in regional NSW. These local water utilities service over 1.8 million people – approximately 30% of NSW. Town water use, including

water use by manufacturing and other industries that is supplied by local water utilities, make up only a small proportion (about 4%) of total water use in the basin.

Councils are concerned about how the Basin Plan and its sustainable diversion limits will affect their town water allocation and their ability to plan for and support population and economic growth. The Associations stress the importance of giving priority to town water supplies, particularly critical human needs, and taking into account actual and anticipated growth patterns (population and industrial development) experienced and planned for in communities. Considering the small proportion of town water use in relation to total water use in the basin, priority to town water supplies can be given in the Basin Plan without affecting essential environmental flows.

Integration with existing policies and plans on land management

The Associations understand the legislative restrictions on the MDBA under *the Water Act (Cwth) 2007* to address land management, however believe that it is crucial that the proposed Basin Plan is not isolated from existing policies and plans on land management. A broad range of policies and plans already exist at a state, regional and local scale, across a broad range of water management, land management, land use planning and economic development issues.

It is unrealistic to expect the Basin Plan to solve all of the issues in the basin in isolation. An increase in environmental water will not repair environmental degradation without appropriate and integrated improvements in land management activities, and long term protection through strategic land use planning.

While the Murray Darling Basin Agreement specifically restricts the scope of the Basin Plan to water management, the MDBA must ensure that appropriate 'hooks' and/or directions are included within it to encourage other activities to align with the objectives of the Basin Plan.

Conclusion & Recommendations

The Associations welcome the recognition by the MDBA of the importance of socio-economic considerations. However, the Associations believe that the process of considering socio-economic impacts needs to be strengthened further to ensure decisions on sustainable diversion limits, where possible, take into account community preferences on the trade-offs between environmental water and water for other uses. Most importantly, to ensure communities, particularly communities in regional and rural areas, can maintain adequate living standards, social well being and economic development opportunities, it is crucial that essential water supplies for urban use (Local Government town water supplies) are guaranteed.

Furthermore, socio-economic analysis should also include options for communities to make the transition to a future with less water and inform structural assistance where required. The Association urge the MDBA to strengthen the mechanism for reporting on socio-economic impacts and identifying and implementing structural adjustment assistance.

Finally, to ensure optimal environmental outcomes, the Associations call on the MDBA to ensure the Basin Plan is adequately coordinated and integrated with the land management process.

The Associations hope their submission is of assistance and look forward to continuing to work with the MDBA on the development of the Basin Plan.