



20 December 2010

House of Representatives Standing Committee on Regional Australia  
PO Box 6021  
Parliament House  
Canberra ACT 2600

By email: ra.reps@aph.gov.au

Dear Mr Windsor,

### **SUMMARY**

- We are not convinced the Water Act currently permits a triple bottom line approach to be taken by the Murray Darling Basin Plan (Plan), and therefore legislative amendments should be contemplated to remove any doubt and to prevent a future challenge.
- There has not been an adequate explanation of why the environmental priorities as outlined by the Murray Darling Basin Authority (Authority) for the Murray Darling Basin (Basin) are critical relative to the social and economic impacts on the affected communities. If the relationships are properly explained and are rational, then irrigators and affected communities may be more willing to accept change. Even then, before change is forced upon the communities all other reasonable alternatives for conserving water must be explored given the potential human and social costs.
- More research needs to be done in the interaction of the draft guide to the Plan's proposals and the temporary water market. It cannot be assumed that just because irrigators sell their permanent water that they will cease irrigating.

### **ABOUT SEVEN FIELDS**

Seven Fields is an owner and manager of almost 2,000 hectares of irrigated permanent horticulture in Victoria and South Australia. All but 400 hectares of this property is dependent on water sourced from the Basin. At various times during the year, we employ several hundred people to prune, pick and process our various crops. Ours is a labour intensive business. The majority of the turnover we generate is spent in the local communities where our properties are located. There a high level of interdependence between our operations and the communities in which we operate. We are therefore vitally interested in the impact the proposed Plan will have on our business, its employees and the others who rely on our business for their livelihoods.

Seven Fields grows and markets over 30 varieties of fresh produce. Our products include citrus, almonds, avocados, mangoes and wine grapes all of which perennial horticultural plantings with long production lead times (up to 10 years). Our operations are heavily reliant on good quality and a reliable quantity of irrigation water. We are concerned that the guide to the

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proposed Plan will negatively impact on the reliability of water supply and make it more difficult to obtain goods, services and labour. As well as having a negative impact on our existing business, we will also be more reluctant to make further investment while there is uncertainty surrounding the management of the Basin.

## **SUBMISSIONS**

The submissions we make in this letter address the first point in the terms of reference for the Parliamentary Inquiry, being the direct and indirect impact of the proposed Plan on regional communities.

### **1. Legislative amendment is required to clarify what can be taken into account in drafting the Plan**

We have read the guide to the draft Plan (Volume 1, Overview) and have read reports of the legal advice obtained by the Hon Minister Burke on the question of whether the Water Act requires the content of the Plan to take into consideration the environment, social and economic consequences for the communities along the Basin.

The question of whether the Water Act does permit the Authority to take a triple bottom line approach to the development a Plan is one ultimately for the lawyers. However, our concern is that if it not very clear now that the Plan must consider social and economic consequences at least as much as the environmental matters, then the Federal Parliament must address the uncertainty with legislative amendments. If this is not done, then interest groups from either side of the debate will have grounds to challenge aspects of the Plan on the basis that is not consistent with the legislative framework by which it exists.

Whatever the Plan ultimately contains, it is important that everything possible is done to deliver a high degree of certainty to those impacted by it.

### **2. Environmental considerations**

Our business demands that we manage our assets in a sustainable manner. We are also rewarded for being efficient in the use of the resources that are required to grow our produce, especially water. In this context, you will find that we are willing to understand more fully the benefits of managing the Basin in a sustainable fashion.

To that end, it is clear to us that by using less water there will be a greater amount left for other applications. It is also clear that we should be very interested in initiatives that reduce salinity levels in the river water because high salt content will have an adverse impact on commercial crops.

However upon reading the guide to the draft Plan (Volume 1) it was not clear to us why pursuing some of the environmental priorities were important at all, especially considering the adverse impact on towns and communities that would result if 3,000 to 4,000 GL of water is taken from the Basin. For example, section 3.4 of the guide to the draft Plan the Authority refers to the long term impact of current management arrangements, including:

- (a) reduced waterbird breeding

- (b) reduced fish species, and
- (c) the decline of riparian and wetland vegetation.

It is not clear to us to what extent these and other predictions of harm to the environment will have an adverse impact on Australia and the communities in the Basin. Of course, if there were no trade-offs or balancing of interests required then we are sure all Australians would want to preserve the environment in as natural a state as possible and limit the impact of human interference. However, in this instance there are trade-offs to be made and livelihoods are at stake, and so it's very important for the Authority to firstly ensure the science is robust and secondly to spell out clearly the link between all of the environmental priorities and why the Authority says they are superior to the requirements of human beings whose own lives depend on a thriving agricultural economy along the Basin.

On the first point, we note the guide to the draft Plan proceeds on the basis of inadequate research in most respects. On page 35 of the guide the Authority says that in developing the guide most of the available evidence falls into the category of 'medium' confidence science which may not have been subject to formal peer review, and for which there is a low level of confidence<sup>1</sup>.

On the second point, the links between the environment and why they are important have not been adequately made. We assume this is because the Authority has proceeded on the assumption the environment must have priority (as it reads the Water Act) and so did not believe it needed to develop those links and provide a ranking of importance.

We submit that even if it is found (or an amendment to the Water Act requires) the environment has priority over the social and economic impacts of the Plan, the Federal Parliament owes those who are displaced or adversely impacted by the Plan a proper explanation of the relationship between all of the environmental issues that are claimed to be critical and the benefits to Australia. If this were to occur it may help the displaced people and former businesses feel better about having taken personal pain for a greater good.

Our view is that if a balanced outcome is genuinely sought, then the lives and financial security of those living and working in the Basin communities deserves at least the exploration of all other reasonable measures of water management before people are displaced and businesses made unviable.

### 3. More research is required on the impact on the temporary water markets

We note the Federal Government remains committed to buying permanent water rights from willing sellers in the basin. Our understanding is that the purchases by all government agencies to date have been of licences that remain subject to seasonal allocation announcements by the various state authorities.

That is, if the Federal Government has acquired permanent water rights and there are water restrictions applied by the relevant authorities then the Federal Government will have its allocation under the permanent licences also reduced.

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<sup>1</sup> See also the Technical Report Part I for the guide to the draft Plan, pages 85-87.

If this is not going to be the case in the future, then we are concerned that the preference of environmental flows will mean that less water will be available to irrigators in years when restrictions apply. For example, if the Federal Government buy back 2,000 GL in permanent water licences, then in a year of drought where allocations may only be 75% the Federal Government are only going to receive a benefit of 1,500 GL for that irrigation season. If the Plan requires 2,000 GL be delivered to the environment, then the additional 500 GL will need to come from those irrigators' licences that still remain in private hands. This will therefore have a greater impact on seasonal allocations for irrigators than would be the case if the licences acquired by the Federal Government remain subject to the same restrictions.

On a related point many irrigators of permanent plantings rely heavily on the temporary water market, particularly in drought years. Over the last several years irrigators have sold permanent water in order to generate cash and therefore ease pressures placed on them by their lenders. Some of those irrigators have no intention of leaving the industry and instead now rely on the temporary water market for their ongoing water supply. The Federal Government in its releases seems to proceed on the assumption that irrigators will leave the industry if their permanent water is purchased, whereas this may not be the case.

The guide to the draft Plan (Volume 1) is silent on the impact of the buyback of water entitlement on the temporary water market. It is critical to understanding the social and economic impacts on the Basin communities to model what possible outcomes will be in relation to the availability of temporary water. We therefore submit that in the research to be undertaken by the Authority that it devote sufficient resources to understanding the impact Federal Government buybacks are having on the temporary water market.

## **CONCLUSION**

We are happy to participate further in the with your inquiry if required, but otherwise look forward to following your progress and the final outcome.

Sincerely

Greg McMahon  
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