



Murray Group of Concerned Communities – Submission to the House of Representatives Standing Committee on Regional Australia

*Inquiry into the impact of the Murray Darling Basin Plan of
Regional Australia*

The MGCC represents the Central Murray region of 31,300 people who are passionate about living and working in these regional and rural communities. **The Central Murray communities have already given 17 per cent of water entitlements to the environment.**

Supported by: Berrigan & District Development Association, Berrigan Shire Council, Berriquin Landholders Association, Bullatale Creek Trust, Conargo Shire Council, Deniboota Landholders Association, Deniliquin Shire Council, Deniliquin Pastoral Times, Denimein Landholders Association, Jerilderie Shire Council, Moira Private Irrigation Scheme, Murray Catchment Management Authority, Murray Irrigation Limited, Murray Shire Council, Murray Valley Community Action Group, Murray Valley Private Diverters, Murrumbidgee Private Irrigators, Peppin Planners, RAMROC, Ricegrowers' Association of Australia, Southern Riverina Irrigators, Sunrice, Wakool Action Group, Wakool Rivers Association, Wakool Landholders Association, Wakool Shire Council, West Berriquin Landholders Association, West Corrgan Private Irrigation

Introduction

The Murray Group of Concerned Communities encompasses the communities within the Deniliquin, Conargo, Jerilderie, Wakool, Murray and Berrigan shires, and endeavours to represent these communities encompassed by its 28 supporting groups.

Request to Address the Committee

The MGCC requests the opportunity to address the Committee to support the evidence provided in this Submission.

Overview

“While the Authority has an important part to play, it is neither powered nor equipped to undertake the entire complex task.”

Mike Taylor, Chair MDBA

“This was clearly an impossible task given to the Authority, because they were somehow supposed to just use science but also somehow relieve political leaders of their responsibilities to make this choice. That is a political issue ... You cannot tell a technical agency to optimise both [environment and economy] because there are trade-offs between them.”

Professor John Briscoe, Harvard University, World Bank Senior Water Advisor,
International Advisor to the MDBA

The Murray Group of Concerned Communities is pleased to have the opportunity to provide a submission to the House of Representatives Standing Committee on Regional Australia’s inquiry into the impacts of the Murray Darling Basin Plan in regional Australia.

It is the opinion of the MGCC that the proposed Basin Plan has followed a very deformed path of public process and there are numerous deficiencies in the proposed Basin Plan, which the MGCC will to highlight in this submission.

From the outset, the MGCC rejects the proposed Basin Plan, due the undoubtedly detrimental effect it would have on rural communities throughout the Basin, particularly the NSW Central Murray region, which is heavily dependent on the irrigation industry as an economic base.

Basin communities understand and support policy reform – if a healthier environment can be created there are immense benefits for the communities that depend on the river as an economic base.

However, the MGCC does not believe that any sustainable reform can come without sacrifices from all parties, this includes social, economic and environmental aspects, and there must be trade-offs for all three. In contrast to the proposed Basin Plan, the MGCC believes that a healthy environment can only emerge from strong regional communities and farming sector.

The MGCC also rejects the “just add water” approach of the Federal Government Water for the Future scheme and the MDBA; strong and secure communities will not come from this strategy, but will emerge from a more holistic approach to environmental issues and the use of innovative and visionary investment to secure food production and the environment.

There was been considerable money promised to regional communities during the 2010 Federal election. The MGCC welcomes the commitment from the Federal Government to improving the

Government services outside metropolitan centres in regards to health, education and transport infrastructure among other areas, and these regions have suffered significant neglect in funding.

While there seems to be a political will to undertake the recommended policy changes and compensate for the damage to regional communities with regional restructuring packages, the MGCC believes that this is not the feasible option that is being promoted by the government. The damage that is already being done to rural communities through the uncertainty and extremity of the proposed cuts is already having severe impacts on investment in regional businesses.

As quoted above, recent the comment by the outgoing chair of the MDBA, Mike Taylor, highlights the need for strong Government action to change the focus of the reform process. Further, Mr Taylor stated that

“... a successful Plan would require both Commonwealth and States to work together on a comprehensive range of policy, planning and implementation issues in consultation with relevant community, industry and environmental groups.”

The MGCC believes that Mr Taylor’s comments support the claims made by rural communities that the proposed Plan is beyond the boundaries of a scientific recommendation.

As such the MGCC believes that the House of Representatives Standing Committee needs to address the following concerns in regards to the impacts of the proposed Basin Plan:

1. The Water Act 2007 does not allow for the delivery of the triple bottom line outcomes espoused in the National Water Initiative;
2. That the “best available science” used by the MDBA of a medium confidence level, which is described by the Authority as

“... knowledge and data available from a range of sources but may not have been subject to formal peer review. A relatively lower level of confidence for this category.¹

Due to this, the recommendations formed by the MDBA should only form part of the decision making process – a issue with ramifications of this magnitude should not rely on “lower level confidence science and data. Ultimately, the MGCC believes that Government should make the decision in consultation with Stakeholders

3. Alternatives measures to secure water for the environment must be explored; environmental works and measures, infrastructure upgrades and on-farm efficiency programs need to be given the support that they have lacked over the past few years when water buybacks have taken precedence.

Further, water buybacks need to be undertaken in a more targeted manner, to prevent negative impacts on communities dependent on the supply of irrigation water. The threat of a swiss-cheese affect throughout farming communities is of very real concern and is currently occurring through the Federal Government scheme.

¹ MDBA, Guide to the Proposed Basin Plan, Overview, p. 38

Terms of Reference

The Standing Committee on Regional Australia will inquire into and report on the socio-economic impact of the proposed Murray-Darling Basin Authority's 'Guide to the Proposed Basin Plan' (the Proposed Basin Plan) on regional communities, with particular reference to:

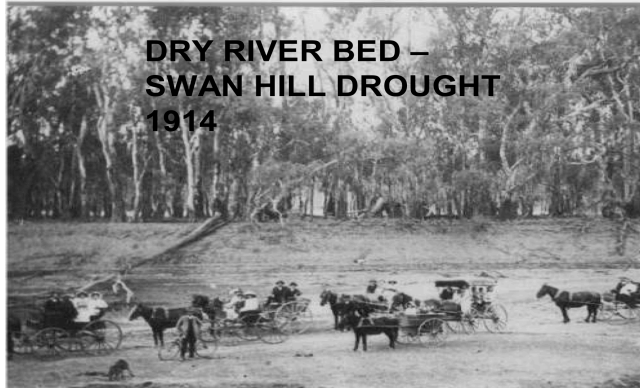
- The direct and indirect impact of the Proposed Basin Plan on regional communities, including agricultural industries, local business activity and community wellbeing;
- Options for water-saving measures or water return on a region-by-region basis with consideration given to an analysis of actual usage versus license entitlement over the preceding fifteen years;
- The role of governments, the agricultural industry and the research sector in developing and delivering infrastructure and technologies aimed at supporting water efficiency within the Murray-Darling Basin.

In examining each of these issues, the Committee will also consider community views on:

- Measures to increase water efficiency and reduces consumption and their relative cost effectiveness;
- Opportunities for economic growth and diversification within regional communities; and
- Previous relevant reform and structural adjustment programs and the impact on communities and regions.

Historic considerations

Australia landscapes are highly variable systems and have historically experienced wet and dry cycles; these cycles can be short term or long term. This occurs right across our vast continent and has occurred both historically and in the contemporary context.



Murray River, Swan Hill, 2006

The Murray Darling Basin has been subject to a ten-year extensive drought in this decade, of similar magnitude, to the Federation Drought of 1895-1903 and the extensive drought in the period, mid 1930's – mid 1940's.

The current drought therefore must be put into historical perspective. When the explorers first set eyes on the Murray River it was a series of salty pools and early explorers were unable to locate the end of the Murray, due to shifting sand dunes.²

There is ample photographic and literature evidence that historic drought events in the Murray Darling Basin are a normal and regular feature, of Australian weather cycles.

As such, it is extremely difficult to quantify river health at any one point in time. The significant reliance of the MDBA on the Sustainable Rivers Audit as a reference point for the health of the Basin is indicative of this point. The audit was undertaken during the middle of the drought period, between 2004 and 2007, with the results, unsurprisingly showing that the river was not in good health.

While there are some concerns with water use throughout the Basin, it is important for the Committee to note that the problems with the health of the Murray Darling Basin environment, stems predominately from the drought, which has only just ended in recent months. The MGCC would like to reiterate the dramatic change in the Murray Darling Basin environment in the past few months, with incredible numbers of wildlife returning to the areas – scientists remain unable to explain how the wildlife, particularly birds, knew that the significant rain event would be occurring.³

It has been argued that the Murray Darling Basin and in particular the health of the Murray River, should be determined at the bottom of the system, notably the Murray Mouth, Lower Lakes and Coorong. This however, ignores the complexities of determining, environmental river health, for the whole 2,225 km of the Murray River Channel and the Darling River systems, by the measuring the health of the system at only one point.

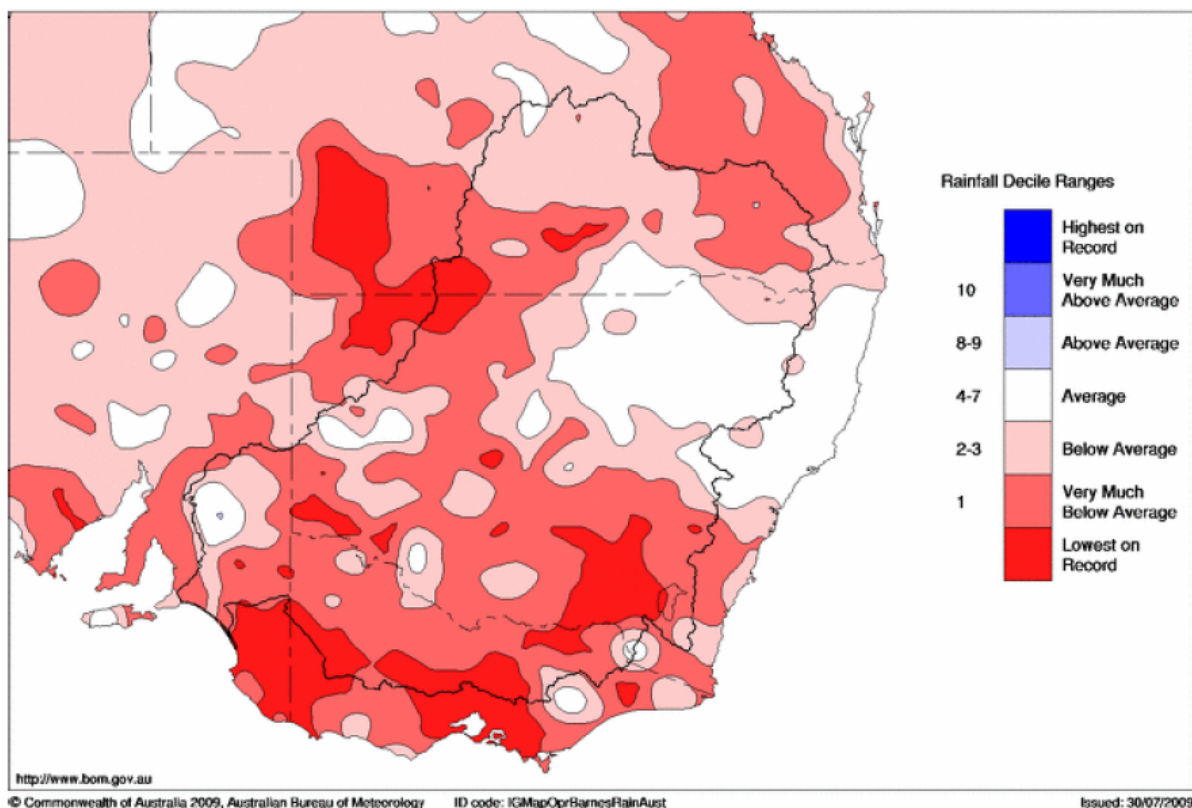
² Tolley, J. C., (1982), *South Coast Story: a history of Goolwa, Port Elliot, Middleton and the Murray Mouth*, Port Elliot, South Australia: District Council of Port Elliot

³ Landline, ABC, September episode

Prolonged drought in the Murray System has been severe with storage inflows at historic lows. Many creeks and river systems dried up completely or were reduced to stagnant pools. The environmental impact of this drought was extensive and harsh in the Murray system. The cause was not due to 'over allocation' or poor water management. The cause was not due to 'over allocation' or poor water management. The recent drought has proved beyond, state water sharing plans and physical storage capacities. Many communities across the basin were either without water supplies or subject to critical shortages. It is incorrect to presume that 'upstream states' were 'sucking the system dry' due to 'over allocation'.

Policy that bases itself on the notion of over-extraction upstream of the Lower Lakes relies on a biased opinion of the ill health of the Murray River. As the below figure illustrates, rainfall across the Basin has been significantly below average for many years, which has impacted on the environments across the Basin.

Murray Darling Basin Rainfall Deciles: 2001 – 2009



This current and extensive drought has brought many hardships to the Murray Darling Basin communities and industries.

The below chart illustrates the water allocations for each season for the NSW Central Murray General Security users, which comprise more than 85 per cent of water users. The lack of water in the community has had severe impacts on the regions economy, with many businesses in the region accumulating significant debt levels to maintain their business operations throughout the drought period.

End of Season irrigation allocations (% of entitlements)

Water Product	06/07	07/08	08/09	09/10
NSW Murray General security	0	0	9	27

Source - MDBA

This background information is highlighted to outline the impact of drought on the Murray Darling Basin and on water allocation to irrigators, particularly in the NSW Central Murray region.

Direct responses to Terms of Reference

- The direct and indirect impact of the Proposed Basin Plan on regional communities, including agricultural industries, local business activity and community wellbeing

It is the opinion of the MGCC that the Plan lacks a triple bottom line approach and rejects the proposed Basin Plan as unbalanced and detrimental to rural and regional communities.

Community Background

In a report to the MDBA prepared by banking consultant, Adrian Rizza, Deniliquin was one of the towns identified as being severely impacted by the proposed Basin Plan and would “struggle[e] to remain viable in the absence of sufficient irrigation water.”⁴

As the centre of the NSW Central Murray region, the negative effects of the Basin Plan are indicative of the impacts of the smaller surrounding towns of Barham, Wakool, Moulamien, Mathoura, Conargo, Finley, Tocumwal, Berrigan and Jerilderie and the impact on the Deniliquin economy would further impact these smaller surrounding towns in regards to flow on business impacts, and also in regards to health and educational services.

A recent RAMROC report identifies that for every 10 per cent reduction in water availability in its representative region, the value of agricultural production declines by \$220 million and direct employment declines by 4,700.⁵

Under environmental initiatives such as the Living Murray and Water for the Future, the NSW Central Murray region water holders have sold 17.5 per cent of water entitlements to these environmental programs.

This is a significant amount of water that has been removed from productive use and the MDBA recommendations of cuts of 26 – 36 per cent, is an additional cut to the 17.5 per cent.

The MDBA percentage figures are also misleading in representing the amount of water that may be lost by irrigators, as it is expressed in megalitres, not the cap equivalent figure, which is point 0.8 per cent – essentially this means that for every megalitre of water that is returned to the environment, 1.2 ML are taken from irrigators.

In total the amount of productive irrigation water that could be taken from the NSW Central Murray region, will be between 41 – 51 per cent, if the figures from the proposed Basin Plan are used.

To put the importance of the irrigation community in perspective the Marsden Jacobs Associates report used to outline the community profiles for the MDB in Appendix C of Volume 2 of the Guide, found that for the NSW Central Murray Region:

... irrigated agriculture is the major economic driver in the region, [and that] a reduction in the long-term water availability of greater than 20% will result in many farm businesses becoming unviable with direct flow on impacts occurring at a community level.⁶

As 17.5 per cent of water has already left the region, it would not be an understatement to say that this would completely devastate the communities represented by the MGCC as the proposed Plan

⁴ Adrian Rizza, *The Potential Effects of Changes to Water Allocation Policy on Financing the Agricultural Sector and Businesses in the Murray Darling Basin*, October 2010, p. 6

⁵ RAMROC, ‘The true economic value of food production in RAMROC regions’

⁶ Murray Darling Basin Authority, *Guide to the proposed Basin Plan*, Volume 2, Part III, pg. 964-6

would remove up to half of the resource base of a \$400 million irrigation industry, which is the basis for 90 per cent of businesses in the region.⁷

Local Deniliquin business Tasker's Garage is an example of the potential damage from the Basin Plan, a large business within the Deniliquin region supplying machinery and parts, the business has put off hiring new staff and apprentices this year, due to the uncertainty created by the Basin Plan about future viability of their business operations.⁸

Recovering water for the environment in the Murray Darling Basin, without appropriate planning, will have profound economic and social impacts on the entire community of the NSW Central Murray region. It was not only the farming community that came to the Deniliquin MDBA Consultation Meeting in October, there were equal, if not more, from the local non-farming community who were able to see the impacts that the Basin Plan would have across the entire community.

Much of the frustration in the room was caused by the lack of understanding or concern from the MDBA in regards to the flow on impacts of the Basin Plan in this regard.

Social and Economic Impacts

This assessment of the NSW Central Murray region is supported by a report released in August 2010 by Judith Stubbs and Associates, which confirmed the fears rural communities have held about the proposed Basin Plan.

The report estimated the a 25 per cent cut in water availability for productive use across the MDB would cost 14,000 jobs and the national economy \$1.4 billion annually, while a 50 per cent cut would cost 28,00 jobs and \$2.7 billion annually.⁹

There are two points of note to consider with these figures; firstly, the projected job losses and impacts on the national economy are considered conservative and secondly, it is worth reiterating that the lower range of the proposed Basin Plan is 27 per cent.

The JSA report also calculated possible employment impacts, concluding:

Averaged across the eight case study areas, a 50% reduction in water availability predicted job losses of around 9.0%; and a 10% reduction in water availability predicted job losses of around 2.0%. Impacts are quite variable, reflecting the degree to which a community is dependent on irrigated agriculture, with job losses as high as 18.9% predicted in some areas from a 50% reduction in water availability. These estimates are probably low for regional centres, as jobs in such areas are likely to reflect a wider area, outside the scale of our modelling.¹⁰

These figures will also have a huge impact at the local level on the small communities in the NSW Murray Region, the small population of the region cannot sustain the expected impacts of the Basin Plan, particularly following a severe drought and the closure of other industries in recent years, particularly the timber industry.

MDBA Response to the Social and Economic Impacts

⁷ Murray Darling Basin Authority, *Guide to the proposed Basin Plan*, Volume 2, Part III, pg. 966; Murray Irrigation Limited, 2010 Annual Report

⁸ Deniliquin Pastoral Times, November 26th, 2010

⁹ Judith Stubbs and Associates, Report 4 – Exploring the Relationship Between Community Resilience & Irrigated Agriculture in the MDB: Social and Economic Impacts of Reduced Irrigation Water, August 2010, p. 18

¹⁰ Ibid

The MDBA is, and has been, aware of the impacts of the proposed Basin Plan on irrigation communities. The Marsden Jacob Associates report in particular highlights and explicitly outlines the impacts of the Plan on the NSW Central Murray region. Yet reports such as this have been ignored, in favour of the more expedient MDBA commissioned ABARE report, which reported negligible impacts on the Basin economy and jobs, and is based on conditions that are not realistic.

The economic impact data provided in the Guide to the proposed Basin Plan is, in the submission the MGCC, evidence of a misrepresentation of the community impact that will result from the proposed Basin Plan and is indicative of the negligent attitude of the MDBA towards rural and regional communities and shows a lack of any consideration of the social and economic concerns in regards to this issue.

The Guide to the proposed Basin Plan clearly states that lost employment from the reductions proposed will be limited to 800 jobs and productivity to \$800m.

However, both the MDBA Chair and CEO distanced themselves from these figures within days of the release of the Guide, revising job losses upwards to 3,000, supporting concerns of the lack of importance and consideration placed on socio-economic concerns by the MDBA.

Further, for any socio-economic study to give a more accurate picture of the effects of the proposed Basin Plan, it would be a requisite of the study, to look extensively at the micro-level of the Basin, and undertake case studies of the impacts on rural communities across the Basin; this was not done by the ABARE report which is premised on flawed assumptions.

In an examination of this report, NSW Irrigators Council notes the following:

- The results are based on a 20 year simulation;
- The 20 year simulation provides analysis of end point impact, which clearly shows that the MDBA *did not* take into account short or medium term impacts or the proposals contained within the guide;
- The simulation assumes full employment economy wide across the full two decades of the data analysis, a situation which has *never occurred* across any economy in recorded history;
- The simulation assumes a frictionless scenario for labour or, in simple terms, assumes that individuals cast into unemployment in the Basin are prepared to immediately move elsewhere despite having significant equity (their house) in the Basin;
- The use of Gross Value of Irrigated Agricultural Production (GVIAP), an experimental dataset, is used to suggest bottom line impacts. This is an entirely misleading and inaccurate use of the dataset, as it *does not calculate profitability*. Further analysis on this point is provided below;
- The year-on-year analysis of GVIAP against water allocations, aside from the incorrect interpretation of GVIAP as a measure of profitability or economic sustainability, is statistically invalid. Both GVIAP and profitability are driven by a wide range of variables, of which water availability is but one. The economic analysis in the Guide fails to consider other inputs (fertiliser, labour, cost of capital and so on) and other market factors (exchange rates, commodity prices and so on); and

- The Guide suggests that irrigated agriculture adjusts due to water shortages such that productivity decline is small. Those very same figures fail to take into account the basic economic certainty of inflation, rendering them utterly useless.¹¹

The MDBA has been aware of the significant impacts of the Basin Plan on rural communities and a failure to make recommendations to the Government to allow the MDBA to construct a Plan that is able to consider these dire implications is reprehensible and as such, the continuation of the MDBA as a driver for changes to water use in the MDB, is the ultimate concern to the MGCC.

The MGCC believes that it is imperative that the Committee acknowledges the flaws inherent in the socio-economic study used by the MDBA, to create a more balanced approach and gain more indicative outcomes to the social and economic impacts of the Basin Plan.

The MGCC further recommends that the Committee use the reports named by the MGCC above, predominately the Marsden Jacobs Associates report and the Judith Stubbs and Associates which the MGCC believes gives a reasonably accurate indication of the impact of the Basin Plan on regional communities.

Impact on agriculture and food production

The Murray Darling Basin produces 40 per cent of Australia's food and fibre, with approximately one third coming from irrigation. In areas such as the NSW Central Murray, this figure is much higher.

While there are many variables in farm production – weather, commodities price, exchange rates – the removal of the water as a key agricultural input, will have significant and real impacts on food production in Australia and the availability of fresh, safe food in this country.

The NSW Central Murray region is an area that was chosen for its suitability for irrigated agriculture by earlier government policy; its proximity to the catchment areas, soil types and highly efficient irrigation systems, has made it an ideal area for growing annual irrigated crops.

Allocation within the region follows the natural rain cycles, with water allocation dependant on yearly rainfall due to the high percentage of General water entitlement holders in the region.

Summary

There was been considerable money promised to regional communities during the 2010 Federal election. The MGCC welcomes the commitment from the Federal Government to improving the Government services outside metropolitan centres in regards to health, education and transport infrastructure among other areas, as these regions have suffered significant neglect in funding.

The MGCC supports the assessment of the NSW Central Murray region, in Appendix II of the Guide that there are incredibly limited options to build new industries to compensate for the significant reductions in irrigation entitlements and no viable large scale options to the community to benefit from increased environmental flows, as the majority of tourism opportunities available have already been exploited.¹²

While there seems to be a political will to undertake the recommended policy changes and compensate for the damage to regional communities with regional restructuring packages, the MGCC believes that this is not the feasible option that is being promoted by the government. The damage that is already being done to rural communities through the uncertainty and extremity of the proposed cuts is already having severe impacts on investment in regional businesses.

¹¹ NSW Irrigators Council, Submission to the Murray Darling Basin Authority: Guide to the proposed Basin Plan

¹² Murray Darling Basin Authority, *Guide to the proposed Basin Plan*, Volume 2, Part III, pg. 966

- Options for water-saving measures or water return on a region-by-region basis with consideration given to an analysis of actual usage versus license entitlement over the preceding fifteen years;
- The role of governments, the agricultural industry and the research sector in developing and delivering infrastructure and technologies aimed at supporting water efficiency within the Murray-Darling Basin.

As outlined above, the NSW Central Murray region is dependent on inflows in the catchments area for allocation as the majority of users within the region have General Allocation entitlements. As such, actual use versus entitlement is highly variable from year to year.

Rural and farming communities have made significant changes to their practices to ensure the viability of their farming operations and the efficient use of natural resources. Gaining further significant efficiencies for many businesses will be difficult due to the efficiencies already implemented.

Rural communities have made significant progress in become more sustainable, but require the support of government to make large scale, innovative changes to allow for them to continue to be sustainable economic foundations for their communities.

Irrigation infrastructure upgrades

Despite the \$5.8 billion for alternative means of saving water through infrastructure upgrades and environmental works, very little of the money committed has actually been spent, with the focus of the Rudd and Gillard governments having been predominantly on the water buyback scheme.

Further, the MGCC notes with disappointment that the MDBA has, in no meaningful way, addressed alternative means of procuring water for the environment.

The building of irrigation systems across the country was historically encouraged under the nation building efforts of previous governments; irrigation farming and communities have been actively encouraged to expand, up until the 1990s. Now however, irrigation communities find themselves subject to demonization by the wider population, with government seeking to reduce irrigation area without adequate consideration of the social and economic consequences, and the and in context of rapidly growing global demand for food.

As such, the MGCC believes that the onus for the upgrade of infrastructure and the investment in environmental efficiencies should rest with Government, rather than using money solely in the current buyback scheme, as outlined above, the Government needs to make a clear commitment to be innovative in the area of water management, to allow for investment in irrigation infrastructure, following many years of neglect.

It is necessary that the government further examine the alternative options available to return water to the environment, which could cover a significant part of the reduction to the sustainable diversion limit.

Infrastructure upgrades, environmental efficiencies, on-farm efficiencies, and other alternatives to the water buyback system, offer a more sustainable way of returning water to the environment, by “finding” water in river systems that is currently not being used efficiently.

The MGCC reiterates its belief that the government needs to have a vision for the MDB in respect to this – solutions need to go beyond the farmer, to address all water users in the MDB system.

Environmental works and measures

The MGCC is very disappointed at the lack of initiative employed by the MDBA in exploring the options available during their environmental assessments.

National Irrigators Council, the National Farmers' Federation and the Australian Conservation Foundation have previously approached the MDBA seeking further development of such proposals as part of a suite of measures to address environmental needs. "Our calls have fallen on deaf ears – the MDBA devotes just a few paragraphs to this option in the Guide."¹³

The MGCC is aware that both the Victorian and NSW Governments are pursuing numerous means of reducing the amount of water that must be taken from productive use to meet the cuts to the SDL.

An option of particular note is the Lindsey Island project currently being explored by the Victorian Government:

Works at Lindsay Island will enable flooding of 30 per cent of the floodplain (about 5,000 ha), and reduce the amount of environmental water required for each event from 1,200,000 ML to 90,000 ML. To purchase allocation on the temporary market and provide this difference – just once – would cost around \$200 million. To purchase high-reliability water share and provide it more permanently would cost over \$2 billion.¹⁴

The MGCC would also like to highlight to the Committee the Water for Rivers program, which is currently recovering water for the environment using innovative efficiency savings and infrastructure upgrades supported by the MGCC.

The MGCC promotes this as a better investment of taxpayer resources for a sustainable future; further, finding alternatives to provide the recommended needs for the environment would serve to mitigate negative social and economic impacts.

Research and Development

As outlined above the irrigation industry has made significant advancements in best practice developments in on-farm infrastructure and efficiencies. However, the imperative is to ensure that these developments and technologies are adopted across the board, to ensure an efficient industry.

With the decade long drought the availability of capital has been, and will continue to be a considerable barrier for irrigation businesses, in part due to the concerns of future viability of investment in the region.

The irrigation industry requires some form of joint venture with the Federal and State Governments to ensure that a strong and sustainable future can be created for the irrigation community and rural communities.

- Measures to increase water efficiency and reduce consumption and their relative cost effectiveness;

The issue of 'value for money' has been a considerable factor in the proposed Murray Darling Basin Plan.

¹³ National Irrigators Council, Submission to the House of Representatives Standing Committee on Regional Australia

¹⁴ "Priority works to increase the effectiveness and efficiency of environmental water delivery in northern Victoria, July 2010", Unpublished report, Victorian Department of Sustainability and Environment

On the face value of a simple economic calculation of x amount of water for x amount of money, the water buyback scheme seems the most sensible approach to securing water for the environment.

However, the issue of the MDB is not that simple.

The recommendations made by the proposed Basin Plan does not explore the complexities of the relationship between the environment and the rural, farming communities in the Basin, nor do the recommended cuts to the SDL recognise the impact on the Basin economy and the flow-on effects through the national economy.

The Committee needs to consider in its findings the need for a visionary Basin Plan that can address the needs of the environment, the regional and national economies, and the social structures in the Basin.

The money spent on infrastructure upgrades, environmental and on-farm efficiencies does not, in the submission of the MGCC represent a misuse of tax payers funds, but rather is evidence of a “national building plan” that regional Australia has been without for many years.

- Opportunities for economic growth and diversification within regional communities; and
- Previous relevant reform and structural adjustment programs and the impact on communities and regions.

In terms of options for under a significantly reduced SDL, the community report in Volume II, based on the Marsden Jacobs Associates report, states that in the NSW Central Murray region,

[a]ll farms will be financially impacted by a reduction in long-term water availability ... [and] there are few significant (if any) economic development opportunities from increased environmental flows that will offset the impacts of irrigated agriculture.¹⁵

Structural adjustment requirements long-term commitment to develop ideas, retrain the population and create the infrastructure and businesses necessary for rural communities to change their economic base. This commitment needs to span the life of the infant industry and not simply the period of allocated government funding to ensure the success of the created industries.

Given that many of the innovations in the State Governments’ proposed methods of infrastructure upgrades and environmental efficiencies are relatively low-cost, the MGCC promotes in its submission the preference for Government support for these measures to find alternative means of securing water for the environment.

There are two further points the MGCC would like to outline in its submission. Firstly is the issue of benefits of the tourism industry being promoted by the MDBA as an “alternative industry” and the “switch” by irrigation farmers to high value crops.

Tourism in regional areas is often dependent on recreation on the many man-made lakes, weirs and dams. This does not fit into the eco-centric notions of the proposed Basin Plan; to suggest that a healthier environment will stimulate greater eco-tourism is simplistic and misleading.

Secondly, the higher value crops recommended by the MDBA are predominately permanent plantings of fruits and nuts. This is again another example of economic rationalism without consideration of the reality of the environmental situation.

¹⁵ Murray Darling Basin Authority, *Guide to the proposed Basin Plan*, Volume 2, Part III, pg. 965

Permanent plantings must be watered constantly, including years of severe drought, to increase the reliance of irrigation farming on these types of crops would decrease the ability of irrigation farming in Australia to adapt to climatic conditions.

Further, while there is some scope for promoting these types of crops, the MDBA ignores the importance of farmers in “feeding the world”, producing nutritious staples, is an area of specialty of Australian farmers and the backbone of many communities.

Appendix I:

Please find below further information that the MGCC believes important in the consideration of the Committee that does not directly relate to the Terms of Reference.

1. *Water Act 2007*
2. Stakeholder Engagement
3. "Best available science"

National Water Initiative and the Water Act 2007

There has been a significant conflict in the legal advice received by the Gillard Government and the MDBA.

Minister Burke has made it clear that he believes that the advice he has received from the Australian Government Solicitor allows for the consideration of triple bottom line outcome, while the MDBA remain adamant that their legal advice outlines that only environmental aspects can be addressed under the Water Act.

In order to fully assess the management of the Murray Darling Basin, the MGCC recommends that the Committee view the advice given to the MDBA and seek its only legal advice in conjunction with this, in order for the Committee to make its own conclusive recommendations to the Parliament in relation to the parameters of the *Water Act* and the ability of the MDBA to include social and economic considerations.

The National Water Initiative, which was formed in agreement by all Basin States in 2004, has been the driver of water reform in the Murray Darling Basin and the MGCC supports the NWI and its commitment to a "triple bottom line".

The NWI has clearly laid out that a triple bottom line outcome was to be sought through the objective that "optimises social, economic and environmental outcomes".¹⁶

The NWI outlined that this would be achieved by the weighting of competing objectives equally:

Decisions about water management involve balancing sets of economic, environmental and other interests.¹⁷

The NWI outlines this further, stating that there was a continuing imperative to "increase the productivity and efficiency of Australia's water use, the need to service rural and urban communities, and to ensure the health of river and groundwater systems..."¹⁸ and that "...settling the trade-offs between competing outcomes for water systems will involve judgements informed by the best available science, socio-economic analysis and community input..."¹⁹

The essence of the NWI has not been embedded into the Water Act 2007; the trade-off of competing interests outlined in the intergovernmental agreement, is not possible, or able to be contemplated, under the Water Act or the Guide.

¹⁶ National Water Initiative, paragraph 2

¹⁷ National Water Initiative, paragraph 23

¹⁸ Intergovernmental Agreement on a National Water Initiative, para 5

¹⁹ Intergovernmental Agreement on a National Water Initiative, para 36

Repeated comments by the MDBA Chairman Mike Taylor and CEO Rob Freeman in public consultation meetings indicate that they have been constrained by the intent of the Water Act, and have been unable to produce a Plan, in accordance with the NWI.

Questioning by the NSWIC of the MDBA Chair and CEO supports the allegation that a Basin Plan focused solely on one aspect is not compliant with the NWI.²⁰

Further, merely considering the social and economic impacts of the proposed Basin Plan does not adequately address the wide reaching and severe impacts that the Plan will have on Basin communities. Treating these issues as an afterthought has served to undermine the confidence and prosperity of rural and regional economies and communities.

The MGCC believes that in order to deliver a Plan that is able to incorporate a triple-bottom line outcome, it is necessary for the Act to be amended.

Further, the MGCC believes that it is the responsibility of this Senate Committee to consider the Water Act in its inquiry and make strong recommendations to the Parliament in favour of amending the Act to include the triple-bottom line outcome compliant with the NWI.

An additional concern regarding the Water Act is the reliance on end-of-system flows as a panacea for the perceived environmental problems; the Act precludes the Basin Plan from dealing with “land use or planning, management of natural resources other than water and control of pollution.”²¹

This focus dismisses decades of environmental management undertaken by rural communities that has used a holistic approach to achieve very successful outcomes in the areas of salinity management, land use, riparian vegetation, noxious weeds and invasive species, measures which have benefited the environment and river systems.

The MGCC believes that the best outcomes for rural communities will emerge from a more integrated approach to river health and the more productive use of water, across the board, through various environmental water saving projects, infrastructure upgrades and on-farm efficiency projects, in conjunction with a holistic environmental strategy.

Stakeholder Engagement

Firstly, the MGCC recommends that for a workable solution to be found, the MDBA and Government, must work extensively, and in a meaningful way, with local stakeholder groups, irrigation and farm bodies, and local councils to increase the “local knowledge” content of Basin Plan, in order to acknowledge and employ the plethora of knowledge and understanding that exists in local communities about the environmental needs of the river systems and wetlands.

“Best available science”

The MGCC would also like to outline concerns with the “best available science” used by the MDBA as a basis for the proposed Plan, which the MGCC believes to be very flawed.

The MGCC notes the following issues with the Proposed Basin Plan science and the outcomes of this science:

Quality of the science

²⁰ NSWIC Submission to the Murray Darling Basin Authority, pg. 3

²¹ *Water Act 2007*, Section 22 (10)

A decision of this magnitude should be left to “science”, particularly in this case where the best available in given so little confidence by the MDBA. The MDBA has outlined that ‘most of the evidence available falls into the medium confidence category,’ which is described as being –

... knowledge and data available from a range of sources but may not have been subject to formal peer review. A relatively lower level of confidence for this category.²²

The dependence of the MDBA on data that has a “lower level of confidence” is an unacceptable starting point for an issue that demonstrates the ability to have such devastating impacts

The MDBA have constantly noted during the public consultation meetings that there is “more work to do” in regards to the science and that they are “aware of the limitations” their work, yet the MDBA has released a prelude to the Basin Plan, without a full understanding of the science of the river system. The MGCC and rural communities have no faith in the ability of the MDBA to deliver a good scientific outcome in regards to the health of the river and certainly not in respect to a sustainable future for rural communities.

Further, much of the data that the MDBA is reliant on has come from this period of significant drought. As outlined above, the MGCC would like the Committee to acknowledge the significance of this event and the undoubtedly negative impact that this natural drought has had on the MDB environment.

Environmental Watering Requirements

The MGCC is extremely concerned about the levels of water required to meet the requirements of the proposed Basin Plan.

Firstly, the Guide states that “recommended flow regimes and inundation requirements within existing literature are often inconsistent with the modeled without development flow data (this is not uncommon).”²³

This assessment, while unsettling is not surprising, the proposed flows have not yet been achieved during this period of very high rainfall,²⁴ despite rainfall being well above averages. The MDBA cannot propose an environmental watering regime that requires such extreme amounts of water.

Further, the proposed flows do not adequately account for the parameters of the river system; flows through the Murray system depend heavily on passage through the Barmah-Millewa Choke, which has a capacity of 8,500 ML day.

The MDBA has been aware of these flood risks, which it outlined in a briefing note drafted for the October supplementary budget estimates, stating that the “risk of increased flooding to urban areas is considered low, but the risk posed to rural land is more significant”.²⁵

The MGCC notes the irony in the situation, whereby farmers are being threatened by flooding with water that has been taken from productive irrigation use, due to lack of environmental water.

The MGCC recommends that the Committee investigate the significant third party impacts and environmental damage that a policy such as this could inflict if implemented, not to mention the financial burden on taxpayers’ resources.

²² MDBA, Guide to the Proposed Basin Plan, Overview, p. 38

²³ MDBA, Guide to the Proposed Basin Plan, Volume 2, Appendix B, p. 661

²⁴ <http://riverdata.mdba.gov.au>

²⁵ The Weekend Australian, Murray-Darling Authority flagged rising flood risk, <http://www.theaustralian.com.au/news/nation/murray-darling-authority-flagged-rising-flood-risk/story-e6frg6nf-1225972992130>, accessed December 20th, 2010

End-of-system flows

The proposed Plan has prescribed increased outflows solely as a measure of river health. At a recent MDBA community meeting in Melbourne, MDBA CEO Rob Freeman defined a healthy environment as a system with 80 per cent outflows.²⁶

The MGCC believes that the MDBA has failed to justify the necessity or scientific imperative for these flows, beyond the need for salt discharge. Further, when questioned about the end-of-system flows as an indicator of river health, at the November MDBA Technical Briefing session, MDBA Staff replied, “we looked at all the options and that’s the one we thought was the best.”

The MGCC sees the reliance of the MDBA on end-of-system flows as a panacea for the issues regarding river health and the dependence on flows excludes the notion of holistic environmental health, which is dependent on good land and water management practices, that have been championed by rural communities for many years, particularly under the Land and Water Management Programs (LWMP). The LWMP has been very successful in the management of water table levels, salinity issues and ecosystem protection, which has been carried out through grassroots community initiative, rather than Government directives.

Current Diversion Limits

There have been significant differences, across the Basin regarding the MDBAs reporting of CDLs, and the commonly accepted levels of CDLs in individual catchment areas.

The MDBA needs to be clear in it’s understanding and reporting of catchment figures.

²⁶ Melbourne MDBA Consultation Meeting, October 28th, 2010