



15 November 2012

Committee Secretary  
House Standing Committee on Regional Australia  
Parliament House  
Canberra ACT 2600  
Australia

**Inquiry into the Water Amendment (Water for the Environment Special Account) Bill 2012**

The Victorian Farmers Federation (VFF) is pleased to provide this submission to the House of Representatives Standing Committee on Regional Australia.

The VFF has also provided feedback on this bill to the Senate Standing Committee on Environment and Communications, in addition to comment on the Water Amendment (Long-Term Average Sustainable Diversion Limit Adjustment) Bill 2012.

***Any amendments need to be placed alongside the entire Basin Plan package***

Once again, Parliament has been asked to pass a piece of legislation which is missing vital contextual information- namely the availability of a finalised Basin Plan and the appearance of a federal government water recovery strategy.

As the development of the Basin Plan is speeding towards the finish line the VFF has become increasingly frustrated at the manner which the finalisation of the Basin Plan is being managed. Continually, there are more and more new concepts being placed on the table which were not specifics that formed the initial period of Basin Plan consultation.

The VFF anticipate that the development of an Intergovernmental Agreement made between all jurisdictions will also play a vital role in the management of Basin resources under the Basin Plan. Yet we understand that this is still under development and is yet to shape broader stakeholder discussions.

The Basin Plan, intergovernmental agreement and water recovery strategy must all be on the table for stakeholders to be able to provide informed feedback on both these Amendment Bills and water reform as a whole.

### **Lack of reference to socio-economic impacts**

The object of the Bill fails to link in consideration of the socio-economic impacts of providing additional water to the environment.

To 'enhance environmental outcomes' by the method suggested in the Bill (86AA (1)), there will undoubtedly be a socio-economic impact. This must be addressed within the framework of the Bill. It is simply unacceptable to relegate this to the few dot points where the literal use of the money is outlined at 86AD, *Purposes of the Water for the Environment Special Account*. This leaves the VFF with the view that government is of the belief that simply providing money towards socio-economic issues arising will solve them. This is simply not the case.

Removing water now from an irrigation region or imposing easements on private property will curtail production in the long term. While there are agricultural efficiencies which can be made with less water availability in the short term, there can be no argument that removal of water from a region and imposition of easements is restricting any future industry expansion.

Protection must be provided to our regional communities and irrigation industry and this protection must be visible in the amendment bill.

### **Government funding must first be used to "Bridge the Gap"**

The VFF is a firm supporter of the use of a Sustainable Diversion Limit (SDL) adjustment mechanism within the Basin Plan to ensure that water savings generated through environmental works and measures, river management rules reviews and other non-market mechanisms are offset against the SDL.

While we have been assured that this can be a component of the Basin Plan, with the Long-Term Average Sustainable Diversion Limit Adjustment Bill developed to enable this option with a level of 'transparency', we are yet to be assured by the MDBA that the mechanism will enable up to 650GL of environmental water offsets to be accredited under the Basin Plan. This was an explicit request, by consensus of the Murray-Darling Basin Ministerial Council and must be followed through.

The ability of the SDL adjustment mechanism to provide these alternative water savings has been overshadowed by the announcement of funding to increase the volume of water acquired for the environment beyond the Ministerial Council agreed 2750GL reduction target. Irrigators have not yet been provided with surety that the SDL adjustment mechanism will operate as envisaged when water savings projects are subject to MDBA modelling.

The VFF firmly believes that any government funding should be utilised for the purpose of first meeting the SDL listed in the Basin Plan before opening this up for any further water recovery.

For this reason we have difficulty in supporting a Bill which seeks to remove further water from irrigation districts without allowing for the initial reductions to be met first.

The VFF also questions the move of the government to lock in future governments to the ongoing contribution of funds to this account when the Basin Plan and water savings projects are yet to be finalised.

### **No further government buyback of irrigator entitlement**

On initial reading of the Bill, it became acutely obvious that there is a clear reference to “purchasing water access rights”, 86AD (2) (b).

Within the Prime Ministers funding announcement it was stated that the \$1.7 billion of funding to be further directed into the project would have “no social and economic downside for communities”<sup>1</sup>.

Water equals wealth. The VFF have long stated government intervention in the water market results in negative socio-economic outcomes for irrigators and regional communities. Given this we are exceptionally concerned with the intent behind the Bills ability to “purchase water access rights”.

Since the release of the Bill, the VFF have been provided information to suggest that another round of government buyback was not the intent of this clause. The intent of government must be clarified immediately. We seek that this clause is removed entirely following consultation with stakeholders.

The VFF seek a commitment from government for no further open tender buyback of irrigator entitlement.

### **Removal of explicit requirements within the object of the Water for the Environment Special Account**

It is disappointing to see the appearance of quite explicit ‘examples’ of how environmental assets may be protected with the use of this funding.

The VFF sees these examples as little more than a public relations exercise for the benefit of some State stakeholders. The overarching intent of the Basin Plan is understood through the Water Act and in the content of the Basin Plan itself. The environmental watering plan, when it is developed will outline the management and delivery of Basin environmental water resources. Thus, there is no need for these requirements to be listed within the Basin Plan.

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<sup>1</sup> Media Release, *Returning the Murray-Darling Basin to health*, Prime Minister of Australia and Minister for the Environment, 26 October 2012.

**Full compensation for any impacts on private landowners as a result of any project to remove 'constraints'**

The VFF is concerned that the impact of constraints management has been too easily brushed off by government. The VFF believes third party impacts as a result of Basin Plan management is unacceptable.

To illustrate, we look at the impacts of the elevation of a bridge over a river to allow for the carriage of increased flows down the river channel.

Further works than simply elevating the bridge will be required. Simply putting easements along the bank where flooding is likely to occur is also insufficient. Farmers would need to be fairly compensated for such action occurring where there is likely to be widespread flooding of private assets. This goes further than simply the loss of the land. The ongoing loss of production as a result of the flooding easement and the decrease in saleable value of the land must also be included in any compensation package which may be provided to a landowner.

While it is noted that 86AD(2)(c) makes comments around the use of the fund to offset any "detrimental social or economic impact on the wellbeing of any community in the Murray-Darling Basin" related to a project carried out within the purpose of the Special Account, the VFF is not confident that this would adequately extend to both individual or community compensation for some of the constraints removal options which have been flagged as possible projects.

Yours sincerely,

**Peter Tuohey**

President

Victorian Farmers Federation