



National Farmers' Federation
Submission to the
Productivity Commission: Five-year review of the
implementation of the Murray-Darling Basin Plan

1 May 2018

NFF Member Organisations





The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

NFF welcomes the opportunity to provide a submission in response to the Productivity Commission's five-year review of the implementation of the Murray-Darling Basin Plan.

Statistics on Australian Agriculture

Australian agriculture makes an important contribution to Australia's social, economic and environmental fabric.

Social >

There are approximately 85,681 farm businesses in Australia, 99 per cent of which are wholly Australian owned and operated.

Each Australian farmer produces enough food to feed 600 people, 150 at home and 450 overseas. Australian farms produce around 93 per cent of the total volume of food consumed in Australia.

Economic >

The agricultural sector, at farm-gate, contributes 2 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2016-17 is forecast at 58.5 billion – a 12 per cent increase from the previous financial year.

Together with vital value-adding processes for food and fibre after it leaves the farm, along with the value of farm input activities, agriculture's contribution to GDP averages out at around 12 per cent (over \$155 billion).

Workplace >

The agriculture, forestry and fishing sector employs approximately 304,200 employees, including full time (217,000) and part time employees (87,200).

Seasonal conditions affect the sector's capacity to employ. Permanent employment is the main form of employment in the sector, but more than 28 per cent of the employed workforce is casual.

Environmental >

Australian farmers are environmental stewards, owning, managing and caring for 48 per cent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 6.8 million hectares of agricultural land set aside by Australian farmers purely for conservation/protection purposes.

The NFF was a founding partner of the Landcare movement, which recently celebrated its 20th anniversary.

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Introduction

NFF recognises that the Murray-Darling Basin Plan (Plan) is an ongoing plan with a 12 year life span. NFF notes that the plan is only half-way developed and won't be fully implemented until 2024. The Plan, if delivered in full, will have long term ecological benefits which cannot be achieved or seen in the short term. The Plan must be allowed time to be implemented, in a manner that meets the objectives of the Act.

NFF recognises that the Plan is an historic compromise. It is not perfect. It has had negative impacts on many communities and industries that rely on water for irrigation to underpin production. Nevertheless, the Plan has the bipartisan consensus of each jurisdiction and the Commonwealth Parliament. This consensus is essential to providing water users and communities with certainty for the future.

The Plan provides a balance between the competing interests of the social needs of people, the environment, and the economy. It is a shared pain at the heart of the Plan which should be respected during the implementation process.

The 2017 Basin Plan Evaluation indicates that its implementation is, overall, on track to deliver the objectives and outcomes. While there are delays in some elements of the plan, NFF recognises the immense effort required to implement the plan.

The plan is designed to respect the varying needs of water users, albeit within a new paradigm that allows entitlement holders to participate in the market to suit their needs. Nevertheless the value and dynamic of the market will inevitably focus users on changed circumstances.

1. The key elements required to implement the Plan

1.1 Sustainable Diversion Limits and Adjustment

Risks that may prevent Basin States from successfully implementing SDL adjustment projects.

NFF supports the SDL adjustment mechanism as a flexible mechanism to explore opportunities and investments to get more out of the Basin's water resources and look at ways to remove constraints that currently prevent environmental water being effectively used.

In July 2017, a package of SDL adjustment measures was released, including 36 'supply' projects, which would achieve environmental outcomes that would result in a reduction of the water recovery target by 605 GL. NFF views these projects as an important part of resolving physical barriers which prevent the effective use of water for the benefit of the environment.

There is concern expressed by many about the lack of detail of the business cases for the 36 ‘supply’ projects. NFF believes that open and transparent consultation underpins the successful implementation of these projects, ensuring that the infrastructure development and rule changes associated with the projects are embraced by all stakeholders of the Plan. As such, a lack of information surrounding the business cases for the 36 ‘supply’ projects may pose a risk preventing the successful implementation of the SDL adjustment projects. At present they are necessarily undeveloped due to commercial sensitivities and timing.

NFF acknowledges the time constraints, and accepts that it may not be possible to achieve the level of detail desirable within the timetable mandated by the Plan. However, the projects are subject to review in 2024, and if they fail to meet the projected outcomes, water can be acquired from irrigators to bridge the gap.

The extent to which adopting a different definition of ‘neutral or improved socioeconomic outcomes’ for efficiency measures to what is in the Basin Plan would affect the likelihood of projects being delivered on time and on budget.

NFF notes the Ernst & Young (EY) report into the opportunities to recover 450 GL in additional environmental water through efficiency measures by 2024. The report acknowledges ‘potential socio-economic impacts arising from efficiency measures at a range of scales, including socioeconomic concerns that go beyond the specific legal requirements of the Basin Plan’.

The current definition of socio-economic neutrality equates voluntary individual participation with socio-economic neutrality.

This definition does not account for:

1. Impacts on people not directly participating in the program.
2. Impacts that are a result of the cumulative or aggregate implementation of entire programs.
3. Distributive impacts between communities and industry areas.

However, NFF acknowledges the consideration of these impacts in the EY report and echoes the need for substantial early two-way engagement between community and industry to facilitate input and enable the design of programs in a way that disentangles impacts from the plan and promotes trust and understanding of the need and benefits of the program.

Whether there are other novel approaches to recovering water for the environment, such as purchase of entitlement options that may contribute to Basin Plan outcomes while achieving neutral socioeconomic outcomes.

NFF supports the consideration of other novel approaches to recovering water for the environment. However, any potential measures must respect the existing rights of water entitlement holders, and there should be no ‘third party impacts’ arising from these measures. NFF supports a neutrality test for socio-economic outcomes when considering these projects.

NFF supports the resolution (voting down) of the disallowance motions of the SDL adjustment measures in the Parliament. Assuming this resolution, achieving the 2,750 GL recovery target will be much more manageable and realistic.

NFF has long supported adopting non-flow measures to achieve environmental outcomes, by investing in measures to tackle issues such as: cold water pollution, fish passage, controlling feral animals in key wetland and floodplain areas, and tackling carp infestations. Having a flexible array of tools available will always be beneficial to achieve the outcomes of the Plan.

There are also likely to be advances in technology which will become available. NFF notes that the emergence of, for example, blockchain, which starts to provide the capacity for greater transparency and reliability of data. It could also facilitate peer to peer trading of water, including for the environment, into the future.

The Commission is seeking information on actions governments should now take to achieve SDLs in the Northern Basin.

NFF is disappointed with the disallowance of the Northern Basin Amendment instruments. It is noted that this issue may yet be sensibly resolved.

In completing the Independent Northern Basin review the Murray Darling Basin Authority (MDBA) comprehensively examined the social, environment and economic impacts of adjustments to sustainable diversion limits in the Northern Basin, and sought ways to achieve environmental outcomes while reducing the amount of water recovery and at the same time, reducing the impact that water recovery has on irrigation communities in the Northern Basin.

The proposal to lower the recovery target from 390 GL to 320 GL is contingent on the implementation of a number of ‘toolkit’ measures. While NFF believes the scope of the toolkit was too narrow, it accepts that the Plan is a compromise, and respects the recommendations of the Review. NFF supports the resolution of this issue consistent with the Independent Review. Bipartisan consensus is necessary to create long term certainty for communities and water users in the Northern Basin.

Without this solution, the NSW and Qld Governments will no longer have to invest in ‘toolkit’ measures designed to leverage further environmental gains out of the environmental water.

Unless this is resolved, the original target of 390 GL will need to be recovered. The review showed that further water recovery will hurt basin communities and bring unnecessary economic pain on irrigation dependent communities. This will make it more difficult to meet the timelines specified in the Plan.

1.2 Constraints Management

Why progress to remove constraints has been slower than expected.

The implications of this slow progress.

What can be done to ensure that constraints are removed in a timelier manner while managing impacts on third parties?

Strategies that are, or could be, put in place to increase the extent to which Basin Plan objectives are met when constraints cannot be removed.

NFF acknowledges that there are some biophysical constraints in some river systems preventing water from being properly delivered. This includes the Barmah choke. NFF is looking to some supply projects within the SDL adjustment package as one option resolve these constraints as well as other innovative solutions to resolve constraints issues.

While NFF strongly supports investment in constraints projects, to deliver environmental outcomes, they must be examined in detail to fully understand the costs and benefits, risks and the distribution of impacts. The opportunity for these efficiencies to offset water recover must also be examined, with detailed consultation and agreement with those affected by the proposals.

1.3 Recovery of water for the environment

The extent to which the Australian Government's strategy to recover water in areas where gaps remain will be cost effective, align with the Basin Plan's environmental objectives, and be transparent.

Risks to achieving water recovery targets by 1 July 2019 and, where not already addressed under current arrangements, how any shortfalls may be resolved.

Examples of water recovery (both infrastructure projects and purchases) that have been either well implemented or had major deficiencies, including risks to securing contracted but not yet delivered water from water-saving infrastructure projects.

NFF recognises that there has been good progress in meeting the 2,750 GL target by 1 July 2019, with data showing that, as of 28 February 2018, 2,100 GL of surface water entitlements (77 percent of the target) had been recovered from consumptive use. The long term average annual yield (LTAAY) is about 1,800 GL.

As mentioned herein, NFF believes that there are still many gains to be made in relation to the use of environmental water and management of environmental flows. NFF encourages the MDBA to explore alternative and innovative approaches to water recovery beyond just the purchase of water entitlements, including non-flow measures.

Realistic alternative pathways to achieving environmental outcomes remain largely unexplored, and these must be pursued as a priority. Better outcomes can be achieved if 'non-flow' issues such as addressing cold water pollution and fish passage, controlling feral animals in key wetland and floodplain areas, and tackling carp infestations. Governments need to commit to exhausting

these opportunities, instead of inflicting more social and economic damage on communities that rely on irrigation.

1.4 Structural adjustment assistance

What specific assistance has been provided to help communities adjust to the Basin Plan?

The extent to which this assistance has supported particular industries or regions.

Evidence that this assistance has facilitated adjustment that would not have otherwise occurred and has contributed to meeting the intended outcome of the Basin Plan, including more resilient industries and communities with confidence in their long-term future.

Whether future structural adjustment assistance is warranted, and if so, what lessons can be learnt from past programs.

NFF holds a high level view on structural adjustment assistance for communities. With implementation of the Plan and its objectives, communities are inevitably affected as a result of water recovery for the environment. Many communities and business groups have suffered as a result of the Plan, with a direct loss of economic activity and potential economic activity, and indirectly, broader impacts to the community.

NFF believes that structural adjustment assistance should be broadened to ‘soften’ the effects on the businesses and communities. The Issues Paper notes that only \$73 million has been committed to communities. Members have raised the issue that structural adjustment payments have been disproportionately directed to projects in the non-irrigation dependent communities, while other irrigation dependent have suffered significant job losses.

1.5 Water resource plans

The main risks to remaining WRPs being finalised and accredited by mid-2019.

How, and to what extent, recent measures to make the WRP accreditation process more efficient and streamlined have sped up the preparation of WRPs and whether there are opportunities to further streamline the accreditation process for WRPs.

Other ways WRPs or associated planning processes (e.g. consultation, modelling inputs) could be changed to better meet the objectives of the Basin Plan.

How effective Basin States have been in consulting with all relevant stakeholders

The main risks to planning assumption work being finalised on time.

There is a risk that the WRPs will not meet the required deadline of 1 July 2019. The role of the States to progress and develop the WRPs is a time-consuming, multi-step process with a number

of requirements involved. The State Government's ability to meet the required deadline for their WRPs is important to understand, monitor and remediate.

NFF acknowledges the efforts of the NSW government to provide weekly updates regarding the progression of their WRPs, understanding the immense effort required to develop 22 WRPs. However, it is important that they are developed in consultation with affected users, backed by robust science and evidence with any impacts considered and mitigated.

Should the States fail to meet the deadline required by the Plan, the NFF understands that there are two options:

1. Take compliance action where there are inconsistencies between Australian Government and state laws, or
2. Use the step-in provisions of the Water Act to develop its own enforceable plan

NFF has concerns about either option. In this scenario, the MDBA would hold responsibility for both: the drafting of the WRPs and the accreditation of the WRPs, meaning that they should essentially be marking their own homework, without further regulatory oversight. The preference is for WRPs to be resolved in an orderly, timely manner within their respective jurisdictions.

1.6 Environmental water planning and management

How environmental water planning under the Environmental Management Framework is, or is not, facilitating achievement of the Basin Plan's environmental objectives within legislated timeframes, and what improvements should be made.

NFF believes the following principles should underpin the basis for environmental water planning and management arrangements:

- administrative efficiency of the institutional structures that 'own' held environmental water portfolios;
- clearly articulated 5-10 year Basin-wide environmental outcomes for connected water resources areas;
- clearly articulated 5-10 year catchment outcomes, and annual watering priorities that contribute to achieving Basin-wide outcomes;
- water delivery arrangements that recognise that held environmental water is one of many 'customers' of a water service provider. Service providers must operate within recognised constraints to delivery;
- integrated management of *all* water dedicated to the environment, regardless of who owns it and regardless of its form (i.e. held or planned water). In NFF's view, management through the water resource plan process at a catchment scale most supports integrated management;

- integrated management of important environmental assets which recognize that the volume and timing of watering events is only part of the solution and that non-flow efforts may also play an important role. In NFF's view, management at a catchment scale most supports integrated management and the incorporation of local knowledge and expertise; and
- holistic and coordinated monitoring and evaluation that is used to inform future management actions and is able to describe the extent to which environmental outcomes are being achieved.

In NFF's view integrated management of the landscape, a state government responsibility, is essential to maximise the effectiveness of the use of environmental water. NFF believes that management at a catchment scale most supports integrated planning, the incorporation of local knowledge and expertise and building stakeholder understanding of the range of actions required to deliver desired outcomes. As highlighted in the Productivity Commission's Review of Regulation of Agriculture, in achieving landscape level integration, duplication of or inconsistent regulation should be avoided.

How effective and efficient the delivery of environmental water is — including through coordination among owners of held environmental water, managers of planned environmental water and other stakeholders — and how any barriers could be reduced.

The practical difficulties of achieving fully coordinated flows cannot be over-estimated.

Co-ordinated management will require the full co-operation of all jurisdictions, and even then it has to be accepted that in many cases the exact desired outcome will not be achieved.

NFF acknowledges the recent announcement by the NSW government of the release of 23,800 ML of environmental water into the Barwon-Darling systems as an example of successful coordination of environmental water activities. It is hoped that a successful outcome in this case can act as an exemplar for future activities.

However, there needs to remain a key focus on ensuring that utilisation of environmental water is done as efficiently as possible. Priority considerations include timing of release, and for what purpose/s, can the environmental water supplement a release of industrial water, or conversely will piggy backing or shouldering with industrial water create perverse high flows with deleterious effects on landholders. Perverse outcomes including evaporation and water quality decline from releasing environmental water in insufficient amounts or from inappropriate sources to resolve the targeted problems should be avoided. NFF acknowledges that these are considerations that are currently applied, continued diligence is required.

When thinking about innovation it's important to consider that the proceeds from trading water may be invested anywhere within the Basin. The catchment from which water is traded shouldn't necessarily determine the area in which this money is invested. Investment should flow to the

environmental activities that best improves the capacity to achieve the environmental objectives of the Plan.

Whether Australian and State Government objectives for the delivery of environmental water align, any examples of where this has not been the case, and how differences are resolved through the Environmental Management Framework.

The extent to which the Prerequisite Policy Measures (PPMs) assumed to exist under the Basin Plan will be in place by the target date of 30 June 2019, so that the Plan's environmental objectives can be achieved under the SDLs agreed by governments, and how any identified concerns should be addressed.

To reinforce what NFF understands to be the current intention, it will remain important in negotiations with other water owners that opportunities to release multiple types of water for multiple purposes for multiple outcomes be considered. While it is acknowledged that peak demand times for the environment (typically spring) and industrial water (typically summer) will not always logically align, where there is scope for environmental water to be released 'on top of' or 'alongside' industrial water and leverage the environmental outcome at no cost to industry then it should be contemplated and implemented where sensible.

Any opportunities to better integrate environmental water planning and management with natural resource management programs and complementary works to facilitate achievement of the Basin Plan's environmental objectives.

NFF believes that there are a number of complementary works that can facilitate the achievement of the Basin's environmental objectives. As mentioned previously complementary solutions (and some are underway) include water temperature management at release, eradication of carp, improvement of fish transition infrastructure and hydrological connectivity.

1.7 Water trading rules

Whether the Basin Plan trading rules advance the water trading objectives and outcomes stated in chapter 5 of the Plan.

Whether changes to state trading rules made to date as part of implementation of the Basin Plan adequately recognise and protect the environment and third party interests.

Whether implementation of the Basin Plan has improved access to market information and what further actions Basin States, irrigation infrastructure operators or the MDBA might need to take.

Whether processes for reviewing Basin State trading rules — including the roles of the MDBA and the water trade working group — are sufficiently transparent, evidence-based and consultative.

NFF believes the entitlement frameworks and water planning processes should be designed in such a way that is able to support trade where it is possible to do so in a way that avoids third party (including environmental) impacts. There must be a transparent process for considering changes to trading rules. Full examination about the potential impacts of any rule changes must be transparently conducted, in consultation with stakeholders. In many instances, there are fundamentally sound reasons for trade rules, such as to ensure deliverability, to protect the environment or to ensure that the entitlements of others are not eroded. These reasons should not be arbitrarily discarded in the pursuit of unfettered trade.

In NFF's view, there is an opportunity to improve the transparency of the water allocation decisions of resource managers. Currently, decisions are announced, but there is no opportunity to interrogate those decisions and for stakeholders to better understand them.

1.8 Compliance

Risks to the MDBA's ability to monitor and enforce compliance with the Basin Plan and WRPs from July 2019, and what, if any changes should be made to address these risks

The extent to which non-compliance with the Basin Plan will be addressed by recent changes to compliance and enforcement announced by governments

Any further changes that should be introduced to increase water take compliance across the Basin.

NFF supports a strong compliance system, and is confident that the vast majority of water holders do the right thing and honour their licence agreements. Where old rules are yet to be adapted to new systems then time must be allowed to resolve (see below). Non-compliance is not an issue in most cases, but where there is, NFF is confident it can be dealt with and managed appropriately by the MDBA. NFF supports the application of the regulations as they currently apply and trusts that they are appropriately regulated by the appropriate authorities which are tasked and funded to do so.

NFF wishes to note the effect of timing dislocation on water shepherding. Prior to introduction of environmental water flows, water users were allowed to extract an amount of water when water levels reached a certain height in the water system. With the introduction of environmental water there can be cases where the environmental water may be in the river, triggering the criteria for extraction to be allowed. NFF acknowledges the difficulty in managing the shepherding of environmental water, but believes this must be resolved as WRPs are reviewed to take account of these new circumstances. In the meantime water users cannot be critically judged where they are in compliance with licensing conditions. This is a key component of transition of the plan and must be allowed to progress through sensible and inclusive consultative arrangements to recast the WRPs.

1.9 Monitoring, evaluation and reporting

How well current arrangements for monitoring, evaluation and reporting support the delivery of the objectives of the Basin Plan; and how they could be improved to increase the likelihood of the objectives being met.

Whether there is a clear delineation of responsibilities for monitoring, evaluating and reporting on the Basin Plan, and, if not, how it could be improved.

The usefulness of the MDBA's Framework for Evaluating Progress and its recent application in evaluating the Basin Plan.

How data and information obtained through monitoring, evaluation and reporting could be made more useful for decision making and evaluation of the Basin Plan (including how to make this data and information more outcomes-focused).

The general information required to provide confidence to communities and others that the Plan is being implemented well and is achieving its objectives

Whether processes are in place to monitor key risks to the continued availability of Basin water resources.

NFF acknowledges the complexity of arrangements between different bodies, shared by the MDBA, Australian Government, Basin States, and the CEWH.

On 14 November 2017, the results of the Review of the CEWH's operations and business processes were released. NFF supports the findings, in that the CEWH is 'continuing to effectively and efficiently deliver the Commonwealth's Environmental Water Holdings to the target areas, and that substantial environmental benefits, that would not otherwise have occurred, are being achieved.'

There are constant, and consistent review mechanisms for the monitoring and evaluation of the implementation of the plan. NFF believes the current mechanisms to review the implementation of the plan are appropriate. NFF draws the distinction against monitoring and evaluation within the plan itself. To be clear, NFF believes that monitoring and evaluation within the plan itself can be improved, but it is outside the scope of this review.

2. Basin Institutional and governance arrangements

Whether current institutional and governance arrangements provide for sufficient oversight of the plan and support engagement with the community.

Whether there are risks to the achievement of the objectives of the Plan that arise from the current institutional and governance arrangements.

What improvements can be made to ensure that institutional and governance arrangements are fit for the next phase of implementing the Plan.

NFF would like to see the MDBA and Basin governments present genuine frameworks for evaluating project implementation that sets out how the Authority intends to track and transparently report on the incremental progression of jurisdictions towards delivering projects. As part of this framework the open, transparent consultation of wider stakeholders and the detailed negotiations with individual stakeholders that will be required to ensure project implementation is not impeded must also be considered. In the NFF's view this evaluation is crucial in order to avoid any short fall in project delivery come 2024 and we urge the MDBA and Basin governments to prioritise the development of these necessary frameworks.

NFF is concerned that the CEWH exists as a sole statutory office and appears to have no mechanism for formal advisory/consultative engagement. There is an operating environment enabled by formal legislative and administrative means which serve as appropriate reference points for outcomes, reviews and forward planning. They do not provide any sort of mechanism for the CEWH to, formally, take the mind/s of appropriately qualified people to enhance the outcomes of the role. NFF does not have any difficulty with the actions in this respect by past or present CEWHs. This point is raised in the context of providing more capacity for support for the important role. NFF would seek that an advisory council or reference group be considered as an option. It is not, at this point, necessary to be considering statutorily appointed governance bodies