

***Submission to the Productivity Commission Murray Darling Basin Plan
Five -year assessment, draft report. W. McClumph, irrigator of Red
Cliffs Victoria.***

INTRODUCTION

The draft report delivers a concise overview of the technical elements of the troubled roll out of the MDBP and expresses concern as to the Plan's uncertain destiny. The recommendations are commendable, but given the political realities, will be difficult or impossible to achieve.

To help contextualise this report, this submission gives a brief overview of some of the realities of MDBP politics, and examines some of the key features of the “debate” . These include

a) the general confusion as to what the elements of the MDBP actually are, as distinct from the related but distinct elements of water abstraction and water reform, and

b) the “socio-economic” battleground, and the related conflation of water recovery with rural decline. Of particular relevance to this is the Goulburn Murray Irrigation District, the fraught politics created by its' structural and social challenges, and the extreme impact GMID related issues continues to have in creating Victoria's negative and recalcitrant attitude to the MDBP.

Some general observations on key elements impacting the destiny of the Plan are noted, including with respect to some tropes featuring on the “socio-economic” battlefield. Also particular reports helping to evidence the Realpolitik of Victoria's anti-Plan stance are referenced.

This discussion is submitted in the hope of encouraging the PC in it's final report to

a) make effective use of the opportunity to clarify what the MDBP is and what it's components are.

b) affirm why achieving the potential full 3200GL implementation is necessary to sustain Basin communities, and to

c) present in more robust and thorough form the political realities of the Plan, especially the recalcitrance of the states, in order to better galvanise commitment from the states to delivering what they signed up to do.

COMMENT-THE PC POINTS THE FINGER

The draft report is significant in that it explicitly refers to the self interest of the Basin states, and the ambiguous, conflicted make up and roles of the Murray Darling Basin Authority, as together threatening the realisation of a Murray Darling Basin Plan with the water and other elements necessary to achieve an environmentally sustainable Basin.

The Productivity Commission refers (overview p. 21) to the MDB Ministerial Council members as needing to “..set a much clearer tone of firm commitment to *the Basin itself, not just their own patch*, with unmistakeable collective direction for delivering on commitment.” Also, the PC goes on, the “..Basin Officials Committee should put substance into this *Basin-wide* direction-setting at the detailed implementation level..”, clearly rebuking the officials for running self interested agendas.

The Commission doesn't expand on this rebuke of the states, but any one familiar with the “water space” and with an interest in the progress or otherwise of the MDBP will be able to fill in the gaps-the states are out for themselves and the Plan is in peril. And whilst it is commendable that the PC sees a role for the “BOC to set direction on Plan detail implementation”.., how will state officials be disengaged from their current self interested endeavours?

WHAT THE MDBP IS

The MDBP is a plan to recover water from consumptive use to use for the environment in order to achieve the environmental sustainability necessary to support Basin communities. Water reform is a related but separate issue involving water abstraction and compliance, and constitutionally is the responsibility of the states.

THE MDBP IS A 3200 GL plan (Water Act-s.23(1))

The states agreed to recover 450GL in mostly on-farm efficiency measures so as to achieve the necessary legally required minimum Environmentally Sustainable Level of Take (ESLT) of from 3000GL to 7000GL, but are now welshing on that. Instead of a share of future on-farm savings going to the environment, Victoria and NSW and the farm lobby, with the connivance of the Federal Government, are insisting that all future water savings go to consumptive use, meaning that the ELST likely cannot now be achieved.

IS THE PLAN UNDERSTOOD?

The MDBP is endemically misunderstood. Very few people understand it's necessity or it's elements, including most politicians and journalists. As a result the hyper political water space is dominated by axe grinders, rent seeking interest groups and the populist anti-MDBP politicians they support, and there is little rational discourse on the Plan. Media coverage is left almost exclusively to the pro- farm lobby rural press, (including ABC Rural) and opponents can repeat populist anti-Plan tropes unchallenged. Real progress is therefore made difficult or impossible to achieve.

WHY IS THE PLAN MISUNDERSTOOD?MDBA FALLEN SHORT

The Plan was never effectively explained or retailed by the MDBA or by government, and remains unpopular and misunderstood. To this day there is universal difficulty in separating the MDBP and it's parts from the related but distinct fields of water trading, water reform, and compliance. The MDBA has never been interested in robustly countering the dominant anti-Plan narrative which continues to conflate water recovery with rural decline. In practice the MDBP is subject to political direction. Resultantly it continues to pander to the interest groups working to restrict water recovery and direct future water savings exclusively to consumptive use, and the Plan remains without a politically effective champion.

THE SOCIO-ECONOMIC BATTLEGROUND-EARLY DAYS

a) The 450GL Upwater component of the 3200GL water recovery target necessary to achieve a minimum ESLT is subject to a socio-economic test. Upwater can only be recovered from consumptive use if it delivers a “neutral or positive socio-economic benefit”.

This test is the tactical basis of the intense anti-450GL Upwater campaign being waged by Victoria, NSW and various industry and political groups including the National Irrigators Council, NFF, VFF, Dairy Australia, the GMID Action Group and others.

b) The GMID Action Group based in Shepparton progressed the RMCG report which purports to show an unacceptable socio-economic cost to the GMID should Upwater recovery proceed. That report is not academically well regarded and has been bagged out by the MDBA. The report is methodologically flawed, including in that it assumes that the economic activity associated with a sold or recovered parcel of entitlement

is not replaced and cannot be recovered, and in that the socio-economic benefits of water recovery are not considered.

c)RMCG delivered what was paid for, a populist study dressed up as serious research justifying opposition to Upwater recovery.

d)others groups climbed on the bandwagon and commissioned RMCG reports.

e)DELWP liked how RMCG ticked its own boxes, and commissioned it's own upmarket version, the TCA/Frontier Report, in order to justify its GMID oriented anti-water recovery strategy.

THE SOCIO-ECONOMIC BATTLEGROUND- EY and beyond

a) DELWP and the Victorian Farm lobby wanted to build on the TCA Report with a deeper, academically supportable report it could use at MINCO to kill off the Upwater for good by showing a negative socio-outcome from on-farm water efficiency projects. To that end, DELWP/Victoria worked with NSW to progress, through MINCO, the commissioning by DAWR of a definitive new socio-economic impact study.

b)the new study was done by EY, and came down where it wasn't supposed to, showing that Upwater recovery was possible with neutral or positive socio-economic impact. In conjunction with the new water minister David Littleproud's progressive, pro-Upwater, pro-3200GL MDBP stance, things looked good in late 2017 for proponents of a fully realised, sustainable MDBP.

THE SOCIO-ECONOMIC BATTLEGROUND- the Accord, a New Test

a) One might expect a reaction to Mr. Littleproud's progressive direction on the MDBP to spark an extreme reaction and that happened, including from his Nationals colleagues.

b) On May 7 this year Labour and the Coalition signed off on a “**MDBP Compact**” which included commitment to recovery of the Upwater, and measures including linked supply project payments to compel the states to participate in Upwater recovery.

c)In June, **MINCO** absolved Victoria and NSW from running on-farm Upwater recovery projects, and agreed to work on modifying the socio-economic test, including by expanding it to the community/regional level.

THE SOCIO-ECONOMIC BATTLEGROUND-Post MINCO????

a) What is the state of play coming into the next MINCO?

David Littleproud has simultaneously backed progressing the full 3200GL MDBP, but has accommodated Victoria and NSW in their shared anti-Upwater stance by allowing them to withdraw from participation in on-farm efficiency programs.

b) Given that the 450GL Upwater was to be substantially sourced from these programs, how will the 450GL be achieved, especially as the off-farm programs, such as the GMID capital works demanded by Lisa Neville and the Victorian farm lobby, deliver substantially less value for money.

THE MODIFIED SOCIO-ECONOMIC TEST- Curtains for the MDBP?

a) Victoria and NSW and their lobby colleagues can be expected to build on their existing strategy and to maintain extreme pressure for MINCO to agree to a new test capable of being worked to back their agenda and show negative community and/or regional socio-economic impacts from Upwater efficiency projects.

b) this outcome is still possible because the MDBA never took the step of initiating its own socio-economic test regime early in the piece when to do so would have been relatively simple. There are a numerous benefit-cost models in the MDBP appendices which could have been used to help calculate the socio-economic benefits of water recovery.

c) such a study could include calculating dollar values for various water recovery scenarios, for amenity, bio-diversity, tourism, re-rehabilitation, sustainable jobs, sustainable industries, and so on.

d) in addition, the economic dis-benefits of failing to achieve an ELST of take could be quantified as well. For example, lost amenity, costs of degraded habitats, costs to industry and employment from the impacts of rising salinity and degrading water quality could and should be quantified as part of the socio-economic equations as well.

e) it is noteworthy that the MDBP is in itself a plan to achieve a net socio-economic benefit through water recovery.

CONCLUDING NOTES/ TROPES

Conflation- Rural decline is consistently conflated with water recovery by the anti-Plan lobbyists. For example, the RMCG Report was commissioned in order to work this angle, and the TCA Report was subsequently commissioned by Victoria to build on the momentum of RMCG. Both reports continue to feature in Victorian/DELWP anti Upwater propaganda

In reality, such reports play on the general confusion about water abstraction and water reform, and make various unsupportable assumptions in order to associate water recovery and on-farm efficiency programs with rural decline.

These invalid conclusions are then used to justify the repetition, by players and politicians of the populist tropes that ***“if the Upwater is recovered it will destroy horticulture in Victoria and make the GMID and LMW unviable”***, ***“and if the water is recovered it will just flow out to sea and be wasted.”***

These sort of ridiculous, unjustifiable statements are commonplace, are never challenged by the media, and have accumulated to make the anti-MDBP narrative dominant.

TROPES- Various other tropes persist in the water space, including that ***“its pointless recovering the 450GL Upwater because it won't fit down the river”***. This one is still used on a daily basis by politicians, DELWP officials, and all the lobby groups. It is effective because it plays on the general confusion as to water and the MDBP, and because it is never countered. In reality, if the full 3200GL is recovered, AND the states implement the constraints strategies they signed off on, then the full amount can be used to get the water where it needs to go in order to deliver the designed outcomes. But the dominant narrative is that the water will flow out to sea and be wasted.

The McGowan Report. The McGowan report was commissioned by the GMID centric Murray Group of Councils in order to conflate water recovery with rural decline and support the MRGC anti-Upwater stance. The report employs “qualitative research”, which enables various rural people to riff about hard times and water scarcity, and the comments are then presented in such a way as to associate the hard times with water recovery for the MDBP. ***DELWP chipped in with tax-payers money for the report's accompanying video, which is egregiously designed and edited specifically to conflate hard times in the MDB with the MDBP.***

If efficiency projects go ahead the GMID will collapse- Victoria's position is that efficiency projects are a form of water buy back, will cause water to leave irrigation districts causing them to collapse, and will reduce the consumptive pool.

This position is used to justify DELWP opposition to Upwater recovery, and was used to justify pulling the pin on Victoria's participation in the on-farm program to deliver water to the MDBP with \$30Mill. remaining, and with irrigators still wanting to take part. In reality however this position can be challenged on multiple grounds.

a) water entitlement is returned to the environment, but as EY confirms, there is a net socio-economic benefit. The irrigator gets a subsidy and increases his output per megalitre, and is then well placed to buy more water, permanent or temporary or both, back into his district, for example the GMID. As a result, any district with substantial participation in an on-farm program will have better socio-economic outcomes

b) The economic output from available water is increased by efficiency programs, meaning more output is achieved from the same amount of water, or the same output is achieved with less. The GMID in particular stands to gain the most of any district in the MDBP from participation in on-farm efficiency projects. Victoria is preventing that from happening, meaning that the GMID's out dated and inefficient on-farm infrastructure is missing out on the chance of the subsidised upgrades which would help make the GMID sustainable.

Conclusion-the Draft Report is a welcome and clear headed presentation of the complex and difficult roll out of the MDBP. Hopefully the final recommendations will be fully informed by the challenging contextual issues accompanying the roll out of the MDBP, and will clearly and robustly lay out an achievable pathway for the full agreed Plan to be realised.

Recommendation- With respect to draft recommendation 5.1, that the MDBA should update and publish modelling justifying additional water recovery.

This recommendation should be extended to recommend that modelling be done showing the full socio-economic benefits of water recovery, including the dollar value at various water recovery levels, of amenity, biodiversity, and rehabilitation outcomes, and likewise for the employment and industrial output outcomes attributable to creating a sustainable system.

The dollar costs of failing to achieve sustainability should also be calculated, for example the dollar costs of declining amenity, decreasing bio-diversity, increasing salinity, and related decreasing employment and industrial output.

These dollar values and costs should be front and centre of any new expanded socio-economic test.