



**SUBMISSION TO THE
PRODUCTIVITY COMMISSION ON THE INQUIRY
INTO THE EFFECTIVENESS OF THE
IMPLEMENTATION OF THE MURRAY DARLING
BASIN PLAN**

April 2018

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NSW Farmers' Association Background

The NSW Farmers' Association (the Association) is Australia's largest State farmer organisation representing the interests of its farmer members – ranging from broad acre, livestock, wool and grain producers, to more specialised producers in the horticulture, dairy, egg, poultry, pork, oyster and goat industries.



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Introduction

NSW Farmers is Australia's largest state farming body, representing the majority of commercial farm businesses in NSW, ranging from broad acre, meat, dairy, wool and grain producers, to more specialised producers in the horticulture, egg, pork, oyster and goat industries. Responsible management of our precious land and water resources is fundamental to the success of these farm businesses, and the families who own and operate them.

NSW Farmers supports the concept of a Murray Darling Basin Plan (MDBP). Water is a highly variable and valuable resource that must be planned for and managed efficiently and effectively. Given the cross-border nature of the Basin, having a collective plan is sensible. But to be balanced and effective, and to garner the support of all stakeholders, the Basin Plan must clearly identify and articulate the outcomes it is seeking; recognise and respond to the needs of farmers, communities and environment of the Basin; and be supported by solid investment in infrastructure, research and development.

We welcome the Productivity Commission Inquiry on the effectiveness of the implementation of the Murray Darling Basin Plan and appreciate the opportunity to comment.

Prior to the release of the *Proposed Basin Plan*, NSW Farmers issued a list of four key expectations for the reform process, these were:

1. A requirement for triple bottom line planning (balancing social, economic and environmental needs);
2. A focus on outcomes, not numbers;
3. A robust discussion about the management of the Lower Lakes; and
4. A requirement that risks associated with environmental watering be communicated and avoided at all costs.

It is worth revisiting those expectations with this inquiry as our expectations and needs then remain our expectations and needs now, and they are largely unmet.

We note that in addition to our comments in this submission, NSW Farmers strongly endorses the submission from our national representative, the National Farmers Federation, as well as our state irrigator representatives, the NSW Irrigators Council.

Response to Productivity Commission Terms of Reference

We note that the terms of reference for the committee are the following:

In undertaking the Inquiry, the Commission should assess:

- Progress towards implementing the actions required under the Plan within legislated timeframes, including:
 - the extent to which stated water recovery and other targets are on track to be delivered within statutory timeframes; and
 - the likelihood that activities and arrangements now in place will ensure that these targets and timeframes will be met.
- The extent to which the current framework for implementing the Basin Plan, including the framework for monitoring, compliance, reporting and evaluation, is likely to be sufficient:
 - to support delivery of the objectives and outcomes identified in Chapter 5 of the Basin Plan, acknowledging that the Basin Plan is not yet fully implemented and that many of the outcomes will only be observable over a longer timeframe;
 - to enable assessment of risks and risk mitigation requirements and provisions associated with Basin Plan implementation; and
 - to enable an assessment of progress in meeting the Plan's objectives and outcomes under the next scheduled review of the Basin Plan in 2026.

In assessing progress towards Basin Plan implementation, the Commission should report on progress towards milestones agreed in the Murray-Darling Basin Ministerial Council's report to the Council of Australian Governments, *Implementing the Basin Plan*.

Specifically, the Commission should focus on progress towards a pathway for three key priorities including:

- supply measures to offset the Basin Plan water recovery target of 2,750 GL by 2019, using the Sustainable Diversion Limit (SDL) adjustment mechanism;
- constraints measures to address impediments to delivering environmental water; and
- efficiency measures to recover an additional 450 GL by 2024, consistent with the Basin Plan legal requirement to achieve neutral or improved socio-economic outcomes.

Implementation of the Plan

Progress

We outlined the key expectations from the NSW farming community in our introduction. In terms of progress, little has been achieved in the pursuit of these expectations, which is disappointing given the time that has passed, but more importantly; does not bode well for the implementation of the Basin Plan in full and on time.

We observe a huge disconnect with the workings of the Federal water department, State-based government departments, industry representatives, extension services, and Basin community members. If we are to make substantial and actual progress on the timeframes being considered a comprehensive study of the impacts of the Plan to date and the plan outcomes needs to be completed in order that we can recalibrate where we are at with what is actually happening on the ground.

In addition, NSW Farmers would like to see a re-focus on the achievement of a more adaptable management framework for water use. Water policy, particularly for agriculture, needs to be flexible to facilitate sustainable and efficient agriculture, resilient rural communities, and healthy ecologies in order to meet our growing domestic and export markets.

Specifically, strong consideration needs to be given to scenarios where there may be alternatives to achieving environmental outcomes without removing water from industries and communities. It is reasonable to expect that if social and economic impacts were to be optimised, non-volume considerations (such as environmental works and measures, infrastructure efficiency investment, river operations) to achieve desired environment outcomes would have been considerably more prominent in the Basin Plan development process, and not just the focus of the additional 450GL “upwater” component of the SDL.

Direct and indirect effects on agricultural industries, local business and community wellbeing

This is where the true costs of the basin plan are really felt and an area that we respectfully suggest the Productivity Commission take generous amounts of time to fully appreciate and understand. It is undeniable that removing productive water from businesses and from communities, is going to have an impact, and a large one.

One of the large issues at play in the context of impacts, from both a social and economic perspective, aside from the recently completed Northern Basin review, is that there is really no single, overall, comprehensive and thorough assessment of the impact of the plan at a sub-regional level. Without a true understanding of the impacts, there is no recognition. Impacts are broad and include impacts on jobs, flow on effects to the wider economy, community health and wellbeing, value of land use, and impacts on our long-term food security as a nation.

This lack of data, and consequently recognition, is leading to widespread anger, anxiety and discontent amongst basin affected communities. Feedback to our organisation indicates that whilst there is a willingness to “get on with business” as the plan is implemented, there is a strong undercurrent of deep dissatisfaction with government’s handling of the implementation of the plan and for many communities, a deep degree of uncertainty about their future viability. The legislated cap on buybacks passed in 2015, has quelled some of the uncertainty for now, but overall concerns still remain.

Failure to be flexible results in a failure to realise opportunities in average to above average seasons in any valley. Revision of the SDL could factor in the environmental outcomes happening on farms that are not currently counted. It is a central position across a number of policy contexts of the Association that environmental and agri-business outcomes are not mutually exclusive goals. The inclusion of environmental outcomes on farm would create headway for the Murray Darling Basin Plan’s embodiment of this concept.

Monitoring & Evaluation

We question the robustness of the approach adopted for monitoring and evaluating the achievement of environmental outcomes. While there is some monitoring activity for environmental water events, and some recent initial reports released, there is questionable confidence that the systems in place will enable us to measure the effectiveness of the collective environmental watering efforts. There is a need to better demonstrate the environmental impacts of water that has already been recovered before further water recovery measures are taken.

Since the recovery of approximately 2100GL of water (mostly in the southern Basin) many of the environmental objectives are actually being serviced by the volumes of water already acquired by the Commonwealth and managed by the Commonwealth Environmental Water Holder.

In monitoring the use of environmental water the positives and the negatives need to be reported. MDBA have adopted a ‘learn as you go’ approach and while the Commonwealth Environmental Water Office (CEWO) is responsible for environmental water, water recovery is being guided by the MDBA’s original decisions. If environmental water is in a learning phase, reporting on environmental water use in a factual sense is very important to inform continued directions. One example of lessons learnt is the catastrophic October 2016 flood along the Murray. This did not deliver results on sedimentation in the Murray Mouth and showed that allowing large volumes of water down the Murray is not a sustainable solution. In this way, monitoring and reporting should also include examples where watering programs have not been successful and improvements could be made.

In addition, whilst we recognise that there is some evidence to suggest that environmental outcomes are being achieved, there is a large misunderstanding of the actual environmental outcomes being achieved. The way environmental outcomes are measured means that if it is not being counted, it isn't factored in as an achieved environmental outcome. Importantly, there is a real lack of recognition of the environmental outcomes that are being achieved on farm.

A system that takes account and measures the amount of environmental work being achieved on farm, though a voluntary reporting mechanism, is one way of being able to get a handle on these figures.

Sustainable Diversion Adjustment Mechanism

NSW Farmers agrees with the principle of Sustainable Diversion projects, however we do not agree with the rushed political timetables that have locked in underdeveloped projects and allowed no scope for the continuing entry of new and innovative projects. We also submit that the projects and the plan at large are focused around irrigators, not riparian landholders who equally experience the impacts of water policy.

36 projects have been lodged by the states for federal funding as part of delivering the 650GL recovery target. These projects were intended to go through three stages- pre-feasibility, feasibility and business case. However, the rigid timeframe did not allow for this- successful projects were rushed through to approval and others missed out entirely. The plan must have the flexibility to amend or remove projects that are not working and support the development of new projects that are more appropriate.

In relation to the progress of identifying issues for the committee on constraints management and options to mitigate the identified risks, again, a lack of transparency is apparent. There is little confidence that the MDBA is seriously taking on board the valuable local generational information and knowledge related to constraints management and capacity. There is a constraints management strategy (CMS) underway; and unfortunately like most of the implementation so far, there is a persistent and abject failure to properly consult basin communities and understand the wealth of knowledge and expertise they can offer.

Given that the Basin Plan proposes to add stored water resources on the back of floods, there is unsurprisingly large concern in affected communities about the potential for flooding of roads, pastures, shed and general infrastructure. Pouring stored water on top of rain events poses untenable risks especially when combined with the less than accurate ability that we have as a nation to accurately predict weather conditions. We also feel that not enough resources have been deployed to consider constraints management on an individual site by site basis.

Members are justifiably concerned by the potential flooding risks to private land associated with the delivery of environmental water via the Basin Plan. Changes to land

management regimes on publicly managed land, for example in regions in the Riverina where logging was phased out, have led to changed environmental flow regimes. There is also concern state governments are not using the most recent data when preparing the Environmental Watering Plans. Previous flood events have also highlighted the enormous pressure on existing infrastructure, and the need to invest appropriately into the future.

450 GL ‘up-water’

NSW Farmers are strongly opposed to the recovery of an additional 450GL as ‘up-water’. We maintain that this figure was a last minute political deal which will trigger a range of negative socio-economic impacts on Southern Basin communities. We recognise that in order for the additional recovery to take effect, social and economic outcomes must be neutral or improved. However, we have significant issue with the definition and measurement of ‘neutral or improved outcomes’ as per chapter 7.17 of the Basin Plan 2012. The up-water figure should be removed and the socio-economic outcomes definition should be changed to reflect the socio-economic impacts on a Basin community or region.

A recent independent analysis of the viability of the 450GL suggests that the additional 450GL of environmental water can be delivered by 2024, with neutral or positive socio-economic impacts. However, the report contains considerations and risks that must be addressed if Basin Ministers choose to pursue this water, and it is because of these risks and considerations that we do not agree that the 450GL can pass the neutrality or positivity tests. In assessing the impact, particularly for on-farm programs, the report notes that the water ‘recovery’ could result in a net cost to industry of up to \$330 million. There are too many variables in an on-farm context to be certain that these efficiency projects will deliver benefits.

NSW Farmers maintains that there may be some opportunities for further water efficiency programs, however the 450GL is simply not possible without negative socio-economic impacts. On-farm efficiency projects are important. However in our view, the volumes are too small, and the socio and economic risk, too great.

The potential for off-farm and urban water efficiency savings, which, according to the report, are far more likely to give positive socio-economic impacts, should be exhausted.

As a further comment, the report talks about a need for the Government to improve its communication and engagement in order to maintain social acceptance by the community for continued water recovery. The report notes that basin communities need deeper, more holistic, more upfront, two-way engagement. The report also stresses the need for a partnership approach, and an agile and adaptive program delivery, as well as extensive monitoring and evaluation informed by enhanced data collection. NSW Farmers strongly supports these statements. Our members are hopeful there will be drastic improvements in this regard.

Related matters

Third Party Impacts

There should be no third party impacts which also includes no negative socio economic effects and flooding of private property. Current legislation and practice falsely assumes that productive irrigation is mutually exclusive to the environment. This underlying assumption needs to be urgently addressed.

Electricity issues

It is worth noting the issues around energy affordability that in many instances have arisen as a result of increased investment in water saving efficiencies via the implementation of the Basin Plan. In many cases where infrastructure is being used as a mechanism to deliver on the SDL amounts, high and rising costs of diesel and of network charges for mains electricity for pumping water are a dragging on agricultural productivity and are a source of competitive disadvantage. At the same time, distribution of mains electricity to regional, “ends of network” customers is subsidised by high demand centres and is a cost burden on distributors.

A potential step towards a solution on this issue is to develop a National Energy & Water Productivity Action Plan to address whole-of-system energy productivity in irrigated agriculture (not just on farm but throughout the water storage and distribution system). The aim of such a plan would be to align water and energy policy and programs so as to identify and remove barriers to optimisation. For example, it would aim to obviate situations where high energy costs cause farmers and irrigation corporations to either not implement, or not use existing water-efficient distribution and irrigation methods. The plan should also address the potential for mid scale solar to power irrigation pumping and align State and National renewable energy policy in that regard.

Reform fatigue:

It should be noted that Basin communities have committed over two decades of concentrated water reforms. There has been ongoing and protracted uncertainty for Basin communities – and farm businesses operating within those communities – as they sat on the receiving end of policy and politics pertaining to the land and water resources so fundamental to their livelihoods.

The MDBA is to be commended for developing a community engagement strategy as part of the Basin Planning process. However, NSW Farmers submits that a key objective was

missing from the outset. The MDBA's Stakeholder Engagement Strategy lists the following objectives for stakeholder engagement:

- *“increase people’s understanding of the Basin Plan issues and the Basin Plan development process*
- *create opportunities for people to provide relevant information to the development of the Basin Plan*
- *increase people’s confidence in the planning and engagement process by MDBA adhering to our engagement principles*
- *acknowledge and value people’s contribution to the planning process.”¹²*

It is quite telling that *listening* and *responding* to the community are not key objectives for the MDBA in its stakeholder engagement strategy. We have welcomed the appointment of regional engagement officers who are situated in rural areas, however the overwhelming majority of the Basin Plan administrative staff are based in cities far removed from the communities that are affected. Even with the regional engagement officers there remains a strong feeling of disconnect and disenfranchisement between farmers and the MDBA. NSW Farmers suggests that this has been a key factor in the critical feedback provided to NSW Farmers regarding the Basin Planning process. Members report that they are “sick of writing submissions”, and “sick of repeating things to the same people when they didn’t listen the first time”. The complexity of the issue, the protracted timeframes, and the diversity and number of stakeholders involved was always going to mean that stakeholder engagement would be challenging, however we do believe that significant improvement is possible.

It is also important to note that concurrently to this review, farmers in NSW are being asked to respond to other water reforms such as the NSW Government’s Water Reform Action Plan. Farmers – and rural communities more broadly – are experiencing an overwhelming sense of reform fatigue. As a result, the MDBA and Basin States must think carefully about the best ways in which to genuinely engage the community in the Basin Plan implementation process.

¹ Murray Darling Basin Authority (2009) *Stakeholder Engagement Strategy – Involving Australia in the development of the Murray Darling Basin Plan* <http://www.mdba.gov.au/files/publications/Stakeholder-Engagement-Strategy-brochure.pdf>

² Murray Darling Basin Authority (2009) *Stakeholder Engagement Strategy – Involving Australia in the development of the Murray Darling Basin Plan* <http://www.mdba.gov.au/files/publications/Stakeholder-Engagement-Strategy-brochure.pdf>