

# **Murray-Darling Basin Plan: Five-year Assessment**

(Notes on Productivity Commission Draft Report, August 2018)

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1. The most useful advice by the Productivity Commission in its Draft Report on the Murray-Darling Basin Plan: Five-year Assessment is to relax unrealistic deadlines for the preparation of Water Resource Plans, so-called supply measures, and other aspects of the MDBP. Short of dispensing with a prescriptive Plan for the MDB, the best thing now is to dispense with a rigid timetable. In fact, the current timetable cannot be realised and continues to place unreasonable administrative burdens on Basin States.
2. Taking more time increases the chance that a better job will be done on potential environmental projects that have been financed at great expense to taxpayers. To date, water recovery has proceeded through Commonwealth buyback of irrigation licences and ill-conceived investment in off-farm and on-farm irrigation infrastructure. Publicly funded infrastructure investment is, and always has been, indefensible according to the usual criteria applied by the PC.
3. Discerning readers will note the statement by the PC at page 91 of the Draft Report that 'recovering water through infrastructure modernisation has substantially increased the budgetary cost of water recovery'. Similar views are expressed elsewhere in the Draft Report.
4. The Draft Report has been carefully prepared. Brief appendixes support the major conclusions. The only egregious error is to recycle at pages 4 and 50 an irksome and common irrelevance concerning the share of the total gross value of Australia's agricultural production that is attributable to the MDB. It is as if extensive dryland (broadacre) farming conducted between the waterways of the MDB has something to do with irrigation policy, or the MDBP. This misleading information should be deleted from the Final Report.
5. Much of the Draft Report is concerned with modifications to the MDBP that happened towards the end of its protracted gestation – 'supply measures', 'efficiency projects', and capital T 'Toolkit measures'. Toolkit measures followed a controversial Northern Basin Review organised by of the Murray-Darling Basin Authority. These modifications are difficult to comprehend. Nevertheless, fiddling at the edges of the MDBP is no surprise to those who questioned the worth of prescriptive planning from the outset, vis-à-vis the more credible project-by-project approach to environmental remediation that had previously been followed by the Commonwealth and Basin States.
6. A few remarks are in order. Supply measures are supposed 'to achieve environmental outcomes with less water', justifying lowering the water recovery target. Why was such prudence not thought axiomatic throughout the entire costly and convoluted exercise? Perhaps the only explanation is that the normal expectations of public administration and use of the English language have been

put to one side in the water policy debate. How else could the phrase ‘best available science’ be bandied about as if another sort of science was on the agenda? Toolkit measures inspire even less confidence. They are described at page 101 of the Draft Report as ‘similar to supply measures but without the same checks and balances’.

7. Next, in so far as it is possible for interlopers to the arcane world of water policy to understand, efficiency projects, which instead allow the recovery target to be increased, are from same stable as the infrastructure projects that were already part of the MDBP. It was already well established when efficiency projects were introduced to the MDBP that infrastructure projects did not deliver water savings at acceptable cost. Efficiency projects are supposed to be implemented if there are ‘neutral or improved socioeconomic outcomes’. The statement is meaningless - at best, naïve, at worst, cynical.
8. Another major theme of the Draft Report is institutional arrangements. Perhaps there should be more acceptance by the PC that the difficulties of implementation of the MDBP are brought about by its reckless ambition, gross complexity and inevitable inconsistencies rather than lack of effort or backsliding by the Basin States. Similarly, the contents of the MDBP explain the difficulties being experienced with monitoring and evaluation that are described in chapter 13 of the Draft Report.
9. Several features of environmental policy and the political economy of the MDB are intractable. There is a vast difference between (aggregate) flow-related issues affecting the Lower Lakes, the Coorong and the Murray Mouth, of great interest to South Australia, and non-flow-related environmental actions affecting upstream wetlands and riparian areas. Further, due to differences in farm size associated with settlement history, farm structure and the commodity composition of output differ markedly between the states. Individual commodities have a life of their own in world markets. Different irrigation techniques suit different farms, districts and commodities. Parts of the MDB are economically and socially disadvantaged.
10. The upshot is that the trickiest adjustment problems affecting the irrigated MDB will not be solved by water policy, and especially by the MDBP. One of the most revealing parts of the Draft Report is Table B.1 in appendix B.1, ‘Premium for recovering water through infrastructure investments’. By far the two most extravagant infrastructure projects (Sunraysia Modernisation and GMW Connections Stage 2) are in the oldest and poorest irrigation districts of Victoria.
11. It is therefore disingenuous of the PC to opine at page 21 ‘that the Ministerial Council must set a much clearer tone of firmer commitment *to the Basin itself, not just to their own patch*, with unmistakable collective direction for delivering on commitment’ (italics in original).
12. Indeed, state water ministers and basin officials are often defending legitimate irrigator interests. The political problem of the MDB, and by extension the MDBP, is the dilemma whereby the diffused concern of the public for the environmental health of the MDB has to be balanced against a narrower commercial interest in irrigation. The dilemma will not be solved by exhorting state politicians and officials to try harder, or by restructuring irrigation institutions. Nor will the socioeconomic problems of the MDB.

13. It would be fruitful for the PC to acknowledge the long-term marginalisation of the central agencies of government from water policy debates. Central agencies are more likely to take a wider view of economic and environmental issues than competing vested interests, these days mostly, and wrongly, described as 'stakeholders', including by the PC.
14. In assessing the socioeconomic impacts of water recovery such as at pages 66 and 67, the PC is too accommodating of claims by local interests. The various economic changes that are occurring in irrigation districts cannot be exclusively attributed to the MDBP. The PC sensibly rejects the idea that specific grants-based adjustment programmes are justified for irrigation districts, beyond those available for other industries or part of the social security system overall.
15. The PC also reports at page 99 that adjustment grants ostensibly part of the MDBP have ended up with regional centres like Armidale, Orange and Wagga Wagga that do not depend on irrigated agriculture. While the PC describes these centres as 'located in the Basin', the selection of Armidale is offbeat. The boundary of westerly (MDB) and easterly (coastal) flowing rivers is more or less the main street of Armidale!
16. Hiving off functions from the MDBA to create a separate regulator for the MDBP is problematic. For one thing, there is a limited pool of bureaucratic talent to perform advisory and regulatory tasks in separate institutions. Many of the same arguments about separation of institutions could be made about water-related departments in individual Basin States. Different, and sometimes conflicting, policy advisory, operational and regulatory roles and responsibilities have been performed professionally and reasonably successfully in the Basin States for a long time.
17. The mind numbing bureaucracy of the MDBA and the MDBP and the stark reality of unfortunate Commonwealth overreach is indicated at page 150 of the Draft Report with the statement 'The *Water Act 2007* (Cwlth) sets out 12 parts that a WRP [Water Resource Plan] must address which the Murray Darling Basin Authority (MDBA) developed into 54 requirements under the Basin Plan.' So-called light regulation is not the fashion in this part of the Commonwealth bureaucracy. The Basin States could be excused for thinking that the cashed-up Commonwealth Government did not think they knew what they were doing. Obsession with process and the financial capacity of the Commonwealth has trumped subject matter knowledge in water policy.
18. In the *ancien regime* pre-MDBP, Basin States had their own versions of WRPs. It would have been far easier and much cheaper for the Commonwealth to encourage more (gradual) buyback than insist on a comprehensive Basin Plan. In effect, this would have meant reducing the existing cap on diversions in the MDB rather than all the hoo-ha of sustainable diversion limits, and endless arguments over appropriate end-of-system flows. In the event, the original decisions on these matters were eventually watered down. Ideally, the increase in water available for environmental purposes would have been matched by increasing knowledge of worthwhile opportunities for effective use of environmental water.