

10 October 2018

Productivity Commission  
By Online Submission Portal

Fonterra Australia  
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Victoria, Australia  
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Dear Commissioners

**Re: Submission to the Productivity Commission's Five Year Assessment of the Murray Darling Basin Plan**

Fonterra appreciates the increased focus by the Productivity Commission on the Murray Darling Basin Plan, and we welcome your support on many areas of concern to Fonterra and to our farmer suppliers, represented by the Bonlac Supply Company.

Fonterra is Australia's second largest milk processor. We collect almost 2 billion litres of milk from nearly 1,200 farmers across Victoria and Tasmania, which we process at one of our seven manufacturing sites employing over 1,600 people, mostly in rural communities.

Bonlac Supply Company is the representative voice for Fonterra suppliers and acts as the agent for milk supply to Fonterra in Australia.

**Overview**

Implementation of the Plan presents many challenges and Fonterra encourages governments to take the time to address these challenges to ensure the Plan delivers maximum benefit to all stakeholders. Fonterra is supportive of the Murray Darling Basin Plan process as the best way of dealing with the complex issue of over allocation of water resources by previous regulators and the subsequent environmental degradation.

This submission provides some general comments and then goes on to discuss some of the specific recommendations by the Commission.

**Governance**

Fonterra supports a revised governance arrangement that clarifies decision-making of the Basin Plan implementation. The often-last minute, and seemingly unpredictable, outcomes from Basin governments decision-making or MDBA decision-making erodes confidence of stakeholders in the Basin, including farmers, food processors and investors. We support a structure that provides more clarity for all and trust the Productivity Commission is better placed to advise Government in the structural details of a revised governance arrangement.

**Stakeholder Engagement**

An improved culture of stakeholder engagement would be welcomed in the implementation phases of the Basin Plan. The recent increase in regional MDBA staff is welcomed (although ideally this could have happened much earlier). This needs to be complemented with closer engagement structures between governments. All stakeholders need to be "hardwired" into the decision-making and not feel like we are part of a slightly random process that uses a "lucky dip" invitation list.

**Chapter 3 – Recovering water for the Environment**

We note and strongly support the recommendations in Chapter 3 (3.1 to 3.3).

## **Chapter 4- Supply Measures**

We note and support the recommendations in Chapter 4 (4.1 – 4.5).

We particularly note the importance of Recommendation 4.2 to extend the deadline for supply projects beyond 30 June 2024. The investment needed to deliver the full benefits of the Plan will be compromised if planning and engagement of supply projects is insufficient.

Importantly any extensions or amendments that require Parliamentary approval will need to be presented as a package of clear, well defined and unambiguous amendments which has clear, bipartisan support before it goes to Parliament.

## **Chapter 5 – Efficiency Measures**

Our major concerns relate to the efficiency measures discussed in Chapter 5. We broadly support Recommendations 5.1 – 5.3 with some specific reservations. We particularly agree with the findings about constraints to effective environmental flows and lack of progress on assessing socioeconomic impact. However, this assessment (or neutrality test) needs to fully consider the wider impacts of farm efficiency works, beyond the farm gate. These impacts also need to include the negative impacts on others Basin stakeholders such as farm service providers, factory workers and transport contractors. Fonterra currently estimates for every dollar of lost dairy farm production value there will be a direct loss of between another \$1 to \$2 of additional lost value add to the local economy around a farm.

The design and implementation of a workable socioeconomic test needs to be done well and if this means deadlines and resources for the efficiency measures need to be extended then we support such amendments to Basin Plan timelines, and if necessary, to budgets.

We also note the use of a “no regrets” approach to water recovery. The “no regrets” criteria outlined in Recommendation 5.2 are sensible and Fonterra encourages that the term and the criteria are well defined, and durable, so that subsequent use of the term “no regrets” is unable to be changed or misrepresented.

We are particularly supportive of recommendation 5.3 notable pursuit of enhanced environmental outcomes through other means apart from only efficiency measures.

## **Chapter 12 - Compliance**

Fonterra supports a strong approach to compliance and believes the high levels of irrigator monitoring in the GMID should be extended to all water users within the Basin.

We trust this feedback is of use to the Commission, and thank you for the opportunity to contribute to the Commission’s Five Year Assessment. We also look forward to seeing the final recommendations to Government.

Please contact us directly if you would like to discuss any related matter or receive more information. I can be reached using the contact details provided with this submission.

Yours Sincerely

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Fonterra Australia