



**Greater Shepparton City Council Submission to the Productivity Commission 2018,
*Murray-Darling Basin Plan: Five-year Assessment, Draft Report, Canberra September 2018***

GSCC thanks the Productivity Commission for the opportunity to make comment on the *Murray-Darling Basin Plan: Five-year Assessment, Draft Report*.

Council has been concerned about the impact of the Basin Plan for some time and the findings of the Commission have highlighted some of the issues that we have been concerned about, particularly in relation to the socio-economic impacts of removing water from agricultural production. The Council supports the provision of water to ensure the environmental health of the Murray Darling river systems but believes that the process should have detailed analysis undertaken that takes into account social, economic and environmental impacts.

Council is a member of the Goulburn Murray Irrigation District (GMID) Water Leadership group and has access to that group's submission to the inquiry. The Council fully supports the comments made within the GMID Water Leadership Group's submission and has used information contained within that paper in preparation of this submission. The GMID Water Leadership group commissioned a study (RMCG Report – September 2016) to evaluate the socio-economic outcomes of the status of agriculture within the GMID as a result of early implementation of the Basin Plan which concluded that:

- Average water use reduced by over 300GL/y – a 20% reduction.
- The dairy sector has carried most of that reduction – down by 234GL/y on average.
- As a result dairy sector has lost \$200m/yr in value of farm gate production.
- Dairy processing sector has lost \$360m in output value.
- Mixed farming has lost \$25m in annual farm gate value.
- Taken together this has resulted in a \$580M/yr reduction in the value of production across the GMID and a loss of 1,000 jobs across the region with an ongoing impact.
- A reduction in water availability has increased future vulnerability of the dairy sector in future droughts as the sector will only have access to 26% of the volume of water in an average year.
- The Basin Plan has led to an increase in the price of water in the temporary and permanent water market which is an impost on the GMID as a net importer of water.

An analysis undertaken for the Council by Essential Economics comparing the support provided by the Federal and State Governments to the GMID in comparison to the support provided to the Latrobe Valley following the closure of the Hazelwood Power Station, found that the support provided to the Latrobe Valley was approximately 10 times the support provided to the GMID. Projected job losses in the GMID are predicted to be 1,140 FTE compared with an estimated 700 EFT in the Latrobe Valley.

Clause 5.02 of the Murray-Darling Basin Plan requires that equal consideration should be given to all Basin Plan outcomes and objectives including social, economic and environmental. It is important that the Productivity Commission assessment ensures that each of these components is considered.

Council believes that too much emphasis is placed on specific volumes of water (inputs) being recovered for transfer to environmental use, rather than assessing the outcomes of the Plan in environmental improvements in an adaptive management plan approach that may look at other opportunities for water savings or recovery.

Council is concerned that a report prepared by Ernst & Young in January 2018 will be used to inform the implementation strategy for the Basin Plan going forward. Council thinks this would be a significant risk as it believes this report does not provide sufficient evidence that 450GL could be recovered within budget and provide neutral or positive socio-economic benefits. The local community was astounded about the prospect of the socio-economic analysis of the loss of the 450GL being confined to individuals and failing to consider the broader regional impact – how on earth can our communities and industry grow and invest with any confidence if the scope of any analysis is substandard?

Based on the MDBA's own work, we have evidence that Victoria has been hardest hit in relation to the implementation of the Basin Plan. Dairying is a major industry in the GMID with 1,200 farms producing 2 billion litres of milk a year worth \$850m at the farm gate – the GMID produces a third of the total milk produced in Victoria and more than 20% of Australia's milk. Approximately 6,600 local people are employed in the sector.

Our community is sitting on the edge of a cliff. An additional 450GL would tip the community over the edge, milk production would be reduced by a further 235 million litres, \$100m farm gate value and \$200 million in dairy manufacturing. 450 GL cannot be recovered if the Commonwealth cannot guarantee that further job losses will not occur.

Council continues to encourage and assist industry to invest in the region and we have seen major investments recently in the dairy industry with Freedom Foods investing in excess of \$100 million. Freedom Foods is one of the largest food producing companies world-wide, however we are concerned that their investment may be futile if the recovery of the extra 450GL is undertaken, decimating milk supply.

Council is concerned that further recovery from irrigators will result if the 605GL nominated supply measure savings are not delivered under the Sustainable Diversion Limits Adjustment Mechanism and therefore identifies this as another risk and will impact substantially on community confidence and trust in the Basin Plan. The fact that the Senate have refused to reduce the 2750GL target by 605GL also means that to reach the target by 1 July 2019 will be extremely unlikely. The reversion to the 2750GL will be seen by both Victoria and New South Wales as a move away from an adaptive management approach by the Basin Plan and may see the two states no longer accepting of the Plan.

It is noted that Water Resource Plans (WRP) are not completed for many valleys throughout the Basin and it is unrealistic to anticipate that these will be completed with any detailed assessment by the expected implementation timelines which Council believes to be unrealistic. The value of the WRP's must be questioned if these timelines are to be achieved. System constraints need to be addressed, otherwise additional water will not deliver additional environmental benefits.

Community confidence and trust in the Basin Plan is paramount. To build this the Plan needs to have a stronger and broader regional focus rather than a narrow individual or project focus in assessing socio-economic as well as environmental outcomes. The current neutrality test is seen as being too narrow and does not take into account a regional focus that can occur when

the impact of a project or projects is taken as a compounding impact on communities or regions.

Council concurs with the GMID Water Leadership view that *'the MDBA's benchmark model must be reviewed, reset and rerun. Irrigators in Victoria and New South Wales are using less water and relying more on carryover. The model should be rerun with actual climate conditions for the last 12 years, and the predicted model usage using model assumptions compared with what was actually used.'*

Council is concerned that despite a number of studies and reports that have shown generally that the Basin Plan has had significant negative consequences for some communities, that impacts have been greater in some areas and that potential further recovery of water from the irrigation pool will cause further hardship. It seems that decision makers seem to dismiss or lessen the significance of these impacts, which in turn impacts on the trust and confidence that the community has in the delivery of the Basin Plan.

Council shares the concerns that the Productivity Commission and others have about the Murray Darling Basin Authority & the Department of Agriculture and Water Resources and therefore welcomes recommendations 14.1, 14.2, 14.3, 14.4 and 14.5 contained within the Productivity Commission Draft Report Overview and recommendations in regard to institutional and governance matters. Council believes that the implementation of the recommendations will ensure a greater acceptance of and trust in the Basin Plan by the Basin Community.