



**Development of Sustainable Diversion Limits
for the Murray-Darling Basin
Issues Paper**

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**NSW Farmers' Association
Level 25, 66 Goulburn Street
Sydney NSW 2000**

Ph: (02) 8251 1750

Fax: (02) 8251 1750

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1. Executive Summary

- This submission is intended to complement both that of the NSW Irrigators Council and the National Farmers Federation.
- Association believes that it is abundantly clear that three key objectives of the Act are listed in equal measure. That is that economic, social, and environmental outcomes must all be optimised. In particular, section 3(c) provides that the Act is to *promote the use and management of the Basin water resources in a way that optimises economic, social and environmental outcomes.*
- A socio-economic analysis conducted in tandem with the Issues Paper process would help address what are often competing requirements.
- Any future Sustainable Diversion Limits must recognise the amount of water that has been purchased from specific areas and factor this in to any calculation.
- Regardless of the process agreed upon, the Association firmly believes the process of determining key environmental assets must be initiated as a matter of urgency. Until this occurs we are effectively operating in the dark.
- It is grossly inequitable that the full impacts of the new planning regime will be staggered across the various irrigation areas, with those in plan areas with later expiry dates buffered for a period of up to five years.
- The Association is concerned that the broad definition of 'take' may unnecessarily complicate water sharing arrangements into the future.
- The Association is concerned about the effects of 'shepherding' environmental water from one water source, downstream to targeted environmental sites.

2. Introduction

This paper is submitted as the view of the NSW Farmers' Association and its Members. The NSW Farmers' Association ('the Association') is Australia's largest state farming organisation representing the interests of the majority of commercial farm operations throughout the farming community in NSW. Through its commercial, policy and apolitical lobbying activities it provides a powerful and positive link between farmers, the Government and the general public.

The Murray-Darling Basin covers a significant portion of the land committed to agricultural production in NSW, from Broken Hill in the west to Cooma in the south-east to Goondiwindi in the north. The area encompasses the four key agricultural sectors in NSW, namely dryland agriculture, irrigated agriculture, intensive animal industries and horticulture. Given the focus of the discussion paper on water resources, it is important to note at the outset that Australia's agricultural water use in 2007/08 decreased 18% to 6 989 gigalitres on the back of a 27% drop in 2006/07¹. This has been substantially driven by decreases in NSW, where water use decreased by 41% in 2006/07 and by 35% in 2007/08. Since 2005/06, the state's agricultural water use has declined by 2 939 gigalitres.

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The Association is active in the water debate at the State level both independently and as a member of the NSW Irrigators Council ('NSWIC'), and nationally, as a member of the National Farmers' Federation ('NFF'). The present submission is intended to complement both the NSWIC and the NFF submissions, highlighting issues of particular importance to NSW and the Association's membership.

The Association welcomes the opportunity to respond to the Murray-Darling Basin Authority's Issues Paper on the *Development of Sustainable Diversion Limits for the Murray-Darling Basin*. The present reform process will transform the future of water management and use throughout the most significant agricultural area in Australia.

The task of reallocating water resources throughout the Murray Darling Basin ('MDB') is one of the most complex and daunting in living memory. It is a process that must not be rushed, and care must be taken at every turn to ensure full and robust discussion between all stakeholders is a priority. To this end, the Association acknowledges the MDBA decision to consult with stakeholders via this issues paper at this stage of the development of the Basin

¹ ABS, *Water Use on Australian Farms* (cat.4618) 26 May 2009.

Plan. The Association is aware that this consultation was not a requirement and we are grateful for the opportunity to provide input to this critical process.

3. Getting the Balance Right

The Association believes it is the MDBA's charter to ensure that the Sustainable Diversion Limits ('SDL'), and the Basin Plan more broadly, meets the objects of the *Water Act 2007* (the 'Act'). Association believes that it is abundantly clear that three key objectives of the Act are listed in equal measure. That is that economic, social, and environmental outcomes must all be optimised. In particular, section 3(c) provides that the Act is to *promote the use and management of the Basin water resources in a way that optimises economic, social and environmental outcomes*.

Unfortunately, the SDL Issues Paper does not reflect a balanced approach to these three outcomes, placing undue weight on optimising environmental outcomes. The Association highlights comments made via the NFF submission, which point to the level of inequity that exists in the paper between references to environment/environmental compared to agriculture/irrigated. A reported ratio of 150:4 is hardly, in the Association's submission, equitable.

A socio-economic analysis conducted in tandem with the Issues Paper process would help address what are often competing requirements.

The development of SDLs must take into account the social and economic impacts of managing the consumptive use of water, and balance environmental requirements and social and economic impacts over time. A socio-economic analysis conducted in tandem with the Issues Paper process would greatly assist in this regard, helping to address what are often competing requirements.

The Issues Paper notes the importance of "better understanding the profile of the Basin community, where water is used, where it is sourced from and the wealth that it generates, along with the benefits it provides to communities" (p15). However, there is no discussion as to how this better understanding will be achieved, other than a vague commitment to including key (unnamed) socio-economic study findings in Basin documentation after five years. The timeframes for such studies must be dramatically expedited, such that the objects of the *Water Act* can be met.

The other issue that must be taken into consideration in the development of any SDL is the amount of water that has already been removed from irrigation regions as a result of the buyback process. While the Association maintains that caution must be used in application of

the buyback process due to the significant potential for adverse social impacts, the biggest imperative, in our view, is that the buybacks are applied across a level playing field.

The current situation, particularly in respect to the 4% cap (and the way it is applied) in Victoria, does not allow for a fair and equitable buyback process and, in effect, places NSW as the primary target of the buyback process.

In recognition of the social and economic impacts that continue to be inflicted upon NSW communities affected by the buyback process, the Association believes it is critical that any future SDL recognises the amount of water that has been purchased from specific areas and factors this in to any SDL. The adoption of this position would provide the only fair and equitable solution to this complex issue. It might also encourage Victoria to change their position.

4. Environmental Assets

The Association notes the intention of the Murray-Darling Basin Authority to identify water-dependant ecosystems and sites with ecological significance as part of the SDL process. This is clearly one of the fundamentally critical tasks in the Basin Plan as it will determine how much water will be required, in which locations, to what end. Once an environmental management plan has been established a full and open dialogue can be initiated into the best methods of achieving the agreed objectives. Until this occurs, the whole process is operating in the dark.

The Basin Plan cannot, and should not, allow for the maintenance of all environmental assets in the basin. Irrigated agriculture in the MDB is essential, not only to the regional communities it supports, but to the Australian population in general, and beyond that, to its role as an internationally significant producer of food and fibre.

Each and every region throughout the MDB, similar to each environmental asset, will require a certain minimum allocation of water to ensure its survival. A Socio-Economic assessment of the impacts of water losses to regional communities throughout the

Regardless of the process agreed upon, the Association firmly believes the process of determining key environmental assets must be initiated as a matter of urgency. Until this occurs we are operating in the dark

MDB is therefore every bit as critical as the environmental assessments, and further, the Association submits that it is in the MDBAs charter, under the *Water Act 2007*, to conduct said analysis with equal imperative as that which is given to the environmental assessment.

The Association, at this point in time, will not enter into the debate as to which process should be used to determine key environmental assets to be maintained as priority areas in the Basin Plan. This discussion will be held in detail, at which time the Association will provide input to the process. However regardless of the process agreed upon, it must be initiated as a matter of urgency, such that key stakeholders, including the Association, can meaningfully contribute to a discussion on this issue.

The Association is concerned that the broad definition of 'take' may unnecessarily complicate water sharing arrangements into the future.

5. Water Planning

It is noted in the Issues Paper, that the Act requires that the Water Resource Plan ('WRP') areas specified in the Basin Plan align with State water planning areas as far as is possible. This is complicated by the inconsistent expiry dates for transitional WRPs across the country, ranging from late 2012 to 2017, and even 2019 in the case of Victoria, if and when the regulation prescribing the water management arrangements in that state is actually finalised.

It is grossly inequitable that the full impacts of the new planning regime will be staggered across the various irrigation areas, with those in plan areas with later expiry dates buffered

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for a period of up to five years. This is particularly true for the two largest water holding states, NSW and Victoria, with the NSW WRP due to expire in 2014, some 5 years before the Victorian plan.

This situation leaves NSW exposed to the risks associated with the learning curve that will be associated with the basin planning process. This provides an advantage to stakeholders located within Victoria, who at the expense of NSW, will benefit from the learning experience of the NSW planning process.

On this basis, the risks associated with the planning process must be borne by all states in the MDB. To allow this to occur the Association suggests that the expiry dates for all WRPs be extended to 2019, bringing into place the new plans, with any temporary diversion arrangements. Furthermore, the Association requires additional information outlining the areas that are, will be, and will not be covered by WRPs across the Basin, in order to better address the Authority's question as to which water resource plan areas should be used.

The Association is concerned that groundwater and surface water will be treated as one water source despite there being separate WRPs for each and suggests that the likely complexities arising from this approach are yet to be fully realised. Far greater understanding of the interactions between surface and ground water is required for the basin planning to be successful. The Association therefore recommends that the MDBA undertakes a detailed hydrological examination of the entire basin as a matter of urgency.

6. Take

The broad definition of 'take' (eg including all impoundment of water, including in major public storages) may unnecessarily complicate water sharing arrangements into the future. This is exacerbated by the lack of clarity in the Issues Paper as to where these categories are to apply (ie at the WRP level or at the broader Basin Plan level).

The Association shares NFF's concerns regarding the use of river system modelling and the adaptation of the CSIRO Sustainable Yields Audit project work in determining the water resources of the Basin. Not only will the data be out of date, but the river modelling could also be plagued by uncertainty, as flagged by previous CSIRO technical reporting.

7. Shepherding

The Association is concerned about the effects of 'shepherding' environmental water from one water source, downstream to targeted environmental sites. In effect, this process is creating a new 'super' class of water entitlements, above that of high security entitlements. This is creating an added level of uncertainty and inequity in the market. Furthermore, the Association is confused about the potential interactions that new Federal laws in this area may have to the complex State laws that already exist in this area.

8. Conclusion

The development of Sustainable Diversion Limits for the Murray Darling Basin is one of the most complex and challenging issues in the Basin Planning Process. This is a process that cannot be rushed and any mistakes could have drastic implications for generations of Australians to come.

The current Basin Planning process is almost completely focussed on the environmental issues affecting the basin, while ignoring the social and economic impacts of planning decisions. This, in the Association's view, is a mistake, and it is essential that all decisions

are viewed with equal regard to their impact, not only on the environment, but also on the social and economic impacts that will be felt throughout rural and regional areas, as well as urban Australia.

The only way of getting the 'mix' right in this process is through rigorous consultation with everyone affected by the planning process. The Association is keen to remain involved with this MDBA and any other body involved in the Basin Planning process. Should you wish to discuss anything outlined in this submission, or if we can be of any further assistance, please do not hesitate to contact us at any time.