
Market Mechanisms for Recovering Water in the Murray-Darling Basin Draft Report – Discussion Blog

The Productivity Commission decided to undertake a trial discussion blog to offer the public an alternative channel to participate in discussion about particular recommendations and findings contained within the draft report of the Market Mechanism for Recovering Water in the Murray-Darling Basin commissioned study.

The blog began on 9 December 2009 and was closed for participation on 3 March 2010 so comments could be duly considered for the final research report. This document contains the unedited posts made on this blog.

Comments published to this blog were the sole opinions of the author of the comment.

Market Mechanisms for Recovering Water in the Murray-Darling Basin

*Submitted by Neil Byron on Wednesday 9/12/2009
14:00:00*

Along with my colleague Judith Sloan, I have been one of the Commissioners overseeing the Study into Market Mechanisms for Recovering Water in the Murray Darling Basin since it was commissioned by the Australian Government on 24 July 2009.



On 9 December 2009, **the Draft Report** was released, and now we would appreciate your feedback.

Water shortages and changes in the flow regimes of rivers in the Murray-Darling Basin are placing considerable stress on the Basin environment. There is now widespread recognition that some of the Basin's water resources need to be redirected from irrigated agriculture to the environment, a view the Commission shares.

But what is less clear are the answers to questions such as; how much water needs to be redirected, and when, and what are the best mechanisms for achieving these goals?

The Australian Government's agenda for increasing the availability of water for the environment, **Water for the Future**, includes:

- **The Basin Plan**

A plan for the administrative reallocation of water that is currently being developed by the Murray Darling Basin Authority

- **Restoring the Balance**

A \$3.1 billion buyback of water entitlements administered by the Department of Environment, Water, Heritage and the Arts

- **Sustainable Rural Water Use and Infrastructure Program**

A \$5.8 billion program for investing in water saving infrastructure, also administered by the Department of Environment, Water, Heritage and the Arts.

These different programs for recovering water interact in a complex manner, and it is important to recognise and understand this as we discuss alternatives.

Also bear in mind that the geography of the Basin means it covers areas under the jurisdiction of five state and territory governments: QLD, NSW, ACT, VIC and SA.

With many different uses for water and the involvement of several governments, management of the Basin is complicated.

The Draft Report contains extensive analysis of these issues. We have also prepared the Draft Report at a Glance to provide a more accessible overview.

Within our research, a number of key recommendations and findings have been identified which we are particularly interested to hear your responses to. Please click on the links below to read an introduction to each of these and then register and login to tell us what you think.

All comments on the blog will be read and considered in preparing the Final Report. I will be joining the conversation on the blog throughout the consultation period and look forward to reading your comments.

Comments

Submitted by chris devitt on Thu, 10/12/2009 - 08:43.

The ACT gov has two large water projects planned. Enlarging the Cotter dam from 4gl to 78gl, this project has been started. The other project is to construct a 1metre diameter pipeline from the Murrumbidgee to Googong dam and pumping up to 20gl water annually out of the Murrumbidgee. This project is under a Controlled Action. The project will be assessed by Public Enviroment Report (PER).

We consider this project should be put on hold until the buy back plan is finallised in 2011. There may not be enough water to support these two large projects.

Regards Chris Devitt for the M2Gcommunity Group

Based on 1 votes, 100% agree, 0% disagree

Submitted by Neil Byron on Wed, 23/12/2009 - 13:35.

G'day all,

Thanks for checking out our blogsite. Responses seem to be a bit slow coming in, but I guess that's just the pre-Christmas preoccupations with other things.

Chris Devitt's posting is about ACT Government's projects to expand Canberra's storages. It's not in our Terms of Reference to do an environmental or socio-economic impact analysis of that. But Canberra's net consumption of water is tiny relative to the rest of water-use in the basin, and most of the gross take from the rivers returns to the Murrumbidgee via the Lower Molonglo Water Quality Control Centre, after Canberrans have drunk it, washed in it or with it, or flushed toilets with it.

David Lloyd's submission #58 about SDLs emphasises (quite rightly) that Australia's rivers, especially in the northern MDB, are extremely variable. He says, basically, that setting SDLs as a specific volume of water /year for each catchment won't work. He's right, but I believe the MDBA are not thinking of them as fixed quantities, but more like a set of rules about how much can be taken and when. The Irrigation:Environment split would not be constant volumes or a constant percentage: How much water the environment needs in a low-flow year depends, for instance, on whether previous years have been wet or dry (see **MDBA's Issues Paper "Development of Sustainable Diversion Limits for the Murray-Darling Basin"**).

MDBA held two 2-day forums last week which many of you attended or heard about. **Queensland Farmers Federation Bulletin** had a good summary. It stresses a point we made in the Draft Report – under the Commonwealth Water Act 2008, SDLs must be

based on ecological science. The Authority has very little discretion to take into account the social and economic consequences of setting SDLs much lower than “normal” usage over recent decades. As one irate Forum participant said, “The birds, frogs, fish and trees must get whatever the ecologists say they need, then humans can fight over anything that’s left!”

Bernard Keane of Crikey.com wrote a very interesting piece bringing together 3 reports that came out the same day: the PC’s Draft Report, the National Water Commission’s Report and the High Court decision that States could cut groundwater licences to just 25% of previous levels, without compensation. Well worth a read.

Michael Murray of Gwydir Valley Irrigators Association wrote a piece in the Northern Daily Leader criticising our Draft Report. Like many others, he’s reacted to our draft conclusions that taxpayer-subsidised construction of irrigation infrastructure has often been a very expensive and ineffective way of getting water for the environment. Nor is it the smartest or most effective way of either insulating rural communities from a future with less irrigation water, or of helping them to adjust to it. We expect to have a lot more to say about this in the final report.

I look forward to more feedback/criticism on our Draft report. More in the New Year!

Meanwhile have a very merry Christmas and a wet Next Year,
Neil Byron

Based on 1 votes, 100% agree, 0% disagree

Submitted by Maria Riedl on Fri, 26/02/2010 - 13:20.

Hi Neil, It is clear that we have major issues in the MDB. Your Draft report is excellently put together. I agree with most of it especially with where you say that there is a tendency for proponents to overstate 'the level of water savings that will be achieved through infrastructure works'. Right at this moment we have the Victorian Government overstating their 'savings' for the North-South pipeline which removes 75GL a year (turned on 3 weeks ago) from the Heritage listed Goulburn River and Murray River (two bulk entitlements) and the MDB forever and pipes it via 6 foot pipe to Melbourne. Melbourne then uses this river water to flush their toilets and water their gardens and industrial uses and THEN flushes it OUT TO SEA (approx 500GL) at Gunnammatta.

They have refuse to consider ALL options to ensure water security for Melbourne and Geelong; such as harvesting 100% storm water, rainwater tanks, permanent restrictions and using recycled water where possible. They have refused to even look at these options. Instead they are attaching a city of 4 million (soon to be 7 million) to the degraded Murray-Darling Basin. They do this with the full knowledge that Adelaide is weaning itself off the MDB and instead harvesting, recycling and permanent restrictions are to ensure water for this city. They are rushing to attach BEFORE the Murray-Darling Basin Plan and CAP is implimented by the MDBA.

My question to you is: When the Cap is implemented will EVERYONE who has their extraction pipes (this includes Melbourne!) in the Murray-Darling Basin be cut back by 10-30%? or will the risk be borne by yet again the environment and irrigators?

Maria Riedl

Submitted by g.mooney@westne... on Wed, 24/02/2010 - 23:03.

Why did the PC look only at 'market mechanisms'? Is this in the belief that there are no others? Or is that all that the PC is competent to address?

Submitted by Neil Byron on Thu, 25/02/2010 - 10:20.

Fair Question - simple answer.

The terms of reference the Government gave to the Productivity Commission instructed us to focus on market measures which the Commonwealth could use to acquire more water for the environment. So that's the title of the report.

However, we did very explicitly compare 7 different market measures with a range of non-market measures - that's what the whole of Chapter 6 is about. If you read it, I think you'll agree the Commission's examined the non-market approaches as thoroughly and objectively as we were when looking at the market measures.

While I'm here, I have to admit we're disappointed with the number of responses we've had on this site.

This has been a genuine attempt to hear from the tens of thousands of people who are passionately concerned about the future of the MDB - environmental, social and economic - but who we could never hope to talk with face-to-face.

We're now in the final stages of revising the Draft report to get it off to the printers in a few weeks, so now's the time to make any comments, suggestions or criticisms.

If you're out there, and don't want to comment on the report, please feel free to comment on the blog site and this attempt to interact: was the site unfriendly?, inaccessible? unnecessary? too much detail or not enough? If you read any of the material but didn't leave a comment was that because you didn't have anything to say or you've already had your say elsewhere (like at a public meeting or in a written submission to the Inquiry), or just didn't think it was worth the effort?

Thanks to everyone who has participated.

Neil

Submitted by Maria Riedl on Fri, 26/02/2010 - 12:47.

I have just written a huge response and it didn't accept it. is there a limit on the number of words I can write here?

Maria Riedl

Submitted by NickM on Fri, 26/02/2010 - 09:36.

Hi,

Firstly a comment on the low number of comments on this page, as requested above. I have to say that I found this page very difficult to find, even though I was looking for it specifically. I saw no clear or easy link from the Productivity Commission front page, for example, and only someone who was really determined to comment here was going to track it down. I would guess that it would be almost impossible for someone to stumble across this page while casually browsing the web for information on this issue. If you want people to comment then you have to remove the barriers to entry, or at least lower them as far as possible, and on the internet ease of use is everything for the general public. The need to register will also have deterred some from commenting I'm afraid.

In regards to the issues at hand, I felt Mr Byron has made a good point in the past in noting that buybacks of water rights from farmers are often more cost effective than grandiose engineering solutions. Engineering projects inevitably blow out in terms of costs and completion dates and there's always the chance that the unintended consequences of such schemes can have knock on environmental effects.

The only long term solution for this problem, of course, is to change farming practices so that massive irrigation schemes are simply not required. The massive environmental effect both on the rivers and the land and the huge cost of the proposed engineering works needs weighing against the value of the agricultural production they enable. The farmer's lobby is strong and vocal, and the Australian public has a knee jerk, and somewhat sentimental sympathy, for their endless claims on the public purse but an Australia which bought its food more cheaply on the world market and generated its national income from modern high tech manufacture and services would be a stronger nation overall. Only a switch to agricultural production which requires little irrigation and the abandonment of land which is simply not suitable for cultivation is going to deal with the cause of the problem, rather than tinker with ameliorating the worst of its effects.

Whatever ones thoughts about the true extent of climate change, if the problem is half as serious as the government claims then radical steps to address water use are required now, particularly given the inevitability of an ever increasing urban population. The subsidy of farming practices more suitable to Kent orchards or New Zealand dairy farms simply isn't sustainable either economically or financially and some hard decisions need to be made. The report was, quite properly, tasked to find market solutions for the problem but if a true free market existed in agriculture in this country then the problem would solve itself. Unfortunately this isn't any more likely to happen here than it is in the E.U.

It is to be hoped that the Commission's recommendations are heeded, however the Federal nature of Australia, with powerful state governments in a country with such a comparatively small population, is always going to hamper any radical action. It is too easy to play sectional or regional politics with the issue and the long term national interest can quickly fall to the bottom of everyone's list of priorities. The spat between South Australian Premier Mike Rann and Victorian Premier John Brumby regarding

the State's cap on water use limits is just one example of such petty squabbling. Sussan Ley, Federal Member for Farrer and Shadow Assistant Treasurer, may champion the need for 'community consultation' in regard to water management and the report was right to stress the need for local consultation, but the local community will inevitably seek to maximise its use of water and resist any move for change and it is the duty of the Commonwealth to take the interests of all Australians into consideration, whatever the short term and localised political impact on their fortunes this may have.

I hope the relative dearth of comments on this blog does not deter future exercises of this kind. Everything, from managing water rights to inviting online feedback, is a learning experience and I trust the Productivity Commission will continue to seek comments from the public whose interests it seeks to serve.

Based on 1 votes, 100% agree, 0% disagree

Submitted by Harry Perlich PhD on Fri, 26/02/2010 - 10:21.

It would be helpful to justify the environmental allocation of water by more reference to its positive market impact or public utility; providing a broad brush stroke indication of both intangible and tangible benefits of increased environmental flows. The environmental take-off flows of water should be more overtly marketed as having economic and social benefits. How geographically dispersed are these social/economic benefits? Is there a positive feedback loop (that can be financially quantified) to those irrigators who are nominally and/or potentially making a sacrifice when losing water allocations, or when forced to sell their water allocations?

It is appropriate to explore, detail and quantify what benefits emerge from environmental allocations of water. By leaving this relatively intangible, it become more difficult to compare the current water allocations to tangible crop production uses (economically quantified) and future/potential uses, such as fisheries, sports and leisure activities or tourism. It also becomes more difficult to promote the future regulatory regime, given that many irrigators and their dependents see the new regime as having potential hardship impacts, when it may actually have a variety of not-yet-quantified positive impacts. In particular, it would be helpful to investigate (whether in this report or more likely elsewhere) what positive feedback loop can occur as a consequence of "environmental allocation" of water. Indeed, it is possible that this could become a specific negotiated component of the (market-based) water allocation regime. So, areas where crop irrigation allocations have been reduced may benefit from having a new wetlands nearby, that attract exotic birds and is marketed as a tourist destination.

If the government is perceived simply to run the environmental allocation water into the sand, then there would be great opposition. But, having myself visited Lake Eyre recently (which had record water inflows last year), it is clear that environmental flows of water draw people and generate commercial activity across a wide area.

Submitted by Maria Riedl on Fri, 26/02/2010 - 13:54.

Have a look at the just released "Central Goulburn Areas 1-4 and Shepparton Irrigation Districts-Water Savings Audit Report" by Cardno for DSE -November 2009 release a couple of weeks ago to the rest of us, though it was promised to be released before December 2009. This document completely supports what you have stated that 'proponents' will 'overstate the level of water savings that will be achieved through infrastructure works.' I will send more info via email that will back this up even further. The Commonwealth is talking about funding infrastructure projects such as Northern Victorian Irrigation Renewal Project and Sunraysia Irrigation Modernisation Project both in the northern areas of Victoria for millions and billions of dollars. This while these areas are going through MAJOR restructuring: loss of dairy, loss of cheese factories, loss of vineyards, loss of citrus, avocados, loss of other crops because of a 16 year drought, a step in climate change (increased humidity, less rain, more rain, longer hotter periods), very low and unreliable and changing water allocations, as well as the collapse of the economy. This resulted in less sales of crops, the fall of exports, resulting in a huge glut in certain industries (wine grapes etc). This then is compounded by water being regarded as a commodity, by the failure to address the overallocations that exist ANYWAY, and the failure of government to acknowledge this and act accordingly.

For the Commonwealth to then spend huge amounts on infrastructure upgrades without all these issues being sorted FIRST means that we could have another huge and I mean huge waste of money. In other words, for example, there are so many irrigators in our area that are wanting to sell their water to the Commonwealth (almost 10,000mgs sold off this past year) because their crop have died (lack of reasonable water for permanent plantings) or they simply can't sell what they grow (we have 80 acres of wine grapes that need a home!) 29 growers in the Sunraysia area want to sell 1648mgs but because of Victoria's adherence to the 4 % cap only 995mgs. Danny Lee the Sunraysia Irrigators Chairman says that "wait until July 1 when the next (irrigation) season opens and then there will be 10 times as many." He believes that 1 out of every two blockies in our pumped district (Lower Murray Water) have left the land. The 'Mallee Catchment Authority released its Mallee Irrigated Horticulture 1997-2009 report yesterday (25 Feb 2010) which also painted a bleak outlook for the pumped districts, and the further collapse in wine grape prices since the study period has made things worse.' 'The clamour for Sunraysia irrigators to be allowed to escape the cap on water sales (Victorian cap of 4%) from any one irrigation district in any one season was denied by Water Minister Tim Holding.' 'Irrigator leader Mr Lee said the government should bite the bullet and throw open the water market for sales.' 'Give us a quick humane death and stop starving us out, forcing us all into poverty.' 'Mr Lee said all growers should be given an opportunity to sell their only remaining asset their water, and then the entire irrigation industry could be restructures "with whoever's left."

So there it is, a complete mess.

Maria Riedl

Submitted by Neil Byron on Fri, 26/02/2010 - 16:59.

G'day all,

A big thank you to all the new participants over the last couple of days. We have been delighted to see some eleventh hour comments come through on the blog. As it would be a shame to cut anyone off just as they were getting started, we've decided to extend the deadline and keep the blog open for comment over the weekend. Please keep your input coming and remember if you know someone with valuable experience to share, send them a link and encourage them to login and join us.

Looking forward to reading more of your ideas,
Neil

Submitted by JEQP on Fri, 26/02/2010 - 17:13.

This is an important issue, and I'm glad you're tackling it. I agree that any restrictions on the government buying back water rights should be lifted (what are they doing there in the first place?). The main issue probably isn't in your purview but should be: There's a limited amount of water in Australia and we're using too much of it.

Certain farm practices are incredibly detrimental to the Australian land and the Australian environment, particularly those that require heavy irrigation in the Murray Darling Basin. These farmers should be encouraged to grow crops that require less water, and restricting the amount of water they have seems to be the best way to do this (although there are others). Maria Riedl has pointed out that many farmers are in fact trying to sell their water rights, and are having trouble getting out of the business. These farmers should be assisted to start a different business or start somewhere else, in a way that ensures a more sensible use of water (I'm not saying these farmers specifically were not sensible, but it would be foolish for them to be replaced by cotton or rice growers, for example).

Another issue is population growth. If Australia's population does grow to the level that Rudd and other politicians want it to no amount of "productivity" is going to save our water supply. When Sydney and Melbourne need twice as much water as they get now, when rural towns grow and start using more water, the drain on the basin is going to be insurmountable. A very important part of effective management of water in the Murray Darling Basin, and Australia in general, is a recognition that there isn't that much of it and that it is a limiting factor on how we live our lives and how large a society we can have.

Finally, this blog was hard to find. It was hard to find from the PC homepage, and I only know about it at all because a friend happened to mention it. There should be an awareness campaign. I note you have a Facebook Group, but it's rather bland and is for PC in general. A group with an interesting name and message (ie, not "Draft Report On Market Mechanisms for zzzz") would get the message out to some people, and at least have the chance of going viral. What's more, I'm guessing the Commission has the contact details of a wide range of people interested in the report, from farmers to environmentalists to urban planners. Were these people contacted and made aware of this search for feedback? They should have been.

Submitted by Neil Byron on Mon, 01/03/2010 - 17:07.

A big thank you to everyone who has shared their thoughts with us throughout this process. We've heard and valued all your ideas and input, and many of the suggestions will find their way into our deliberations as we prepare the Final Report. Thanks also for your feedback in response to whether the blog was useful, interesting, user-friendly or too obscure. Your responses will help inform the design and operation of any future Productivity Commission blogs.

All the best,
Neil

Comment on Draft Recommendation 7.1 - Adopting a Portfolio Approach

Submitted by Neil Byron on Wednesday 9/12/2009 00:55:25

"The Australian Government should adopt a portfolio approach to purchasing water products, and not focus solely on water entitlements. Other products, such as seasonal allocations, leases on entitlements, options contracts and contracts for environmental services have advantages in specific contexts and should be considered".

Until now, the Restoring the Balance buyback has focused on acquiring water entitlements — the ongoing right to access a share of water. Several other water products could be acquired through the buyback, such as seasonal water allocations (the specific volume of water allocated to water entitlements during the irrigation season). Other products include:

- leases on entitlements, where the government acquires an exclusive right to an entitlement for a fixed period of time
- options contracts, where, rather than acquiring the entitlement, the government pays the irrigator for a right to purchase water under the entitlement in the future, if a particular level of allocations is reached
- changes to the water licence conditions of irrigators in unregulated systems
- environmental service contracts, which could be made between the government and private landholders

We have considered the advantages and disadvantages of various water products and concluded that no single product is ideal in all circumstances. Consequently, we recommended that the buyback should not be restricted to the acquisition of water entitlements, and have made suggestions on where particular products could be best applied ([table 7.1, p. 164](#)).

We invite comment on our discussion of the pros and cons of the different water products. In particular, we are interested in your feedback on our conclusion about the difficulties of acquiring water in unregulated systems and whether these could be overcome by using group proposals or through administrative changes?

Do you support Draft Recommendation 7.1?

Agree 83.3% (5 votes)

Disagree 0% (0 votes)

Unsure 16.7% (1 vote)

Comments

Submitted by Reb on Tue, 23/02/2010 - 10:26.

All allocations have to be dependent on a minimum availability, below which NO entitlements should be able to be withdrawn.

Based on 1 votes, 100% agree, 0% disagree

Submitted by WalterJ on Tue, 23/02/2010 - 11:26.

In principle I support a portfolio approach but am worried that options contracts are only good to companies big enough to take that gamble

Submitted by Leighton Jenkins on Fri, 26/02/2010 - 13:59.

Portfolio approaches are good. However the reason is usually to address the risk and return of future scenarios.

It would be good to see some scenarios documented eg low rain, medium and high and what elements of the portfolio would come into play. This would then provide all the stakeholders clearer understanding of what will take place.

Comment on Draft Recommendation 6.2 - Coordinating the Buyback and Investment in Infrastructure

Submitted by Neil Byron on Wednesday 9/12/2009 17:50:01

"Rigorous approval processes should be applied to all projects under the Sustainable Rural Water Use and Infrastructure program. In particular, projects should generally only be approved where the cost per megalitre for water entitlements recovered is similar to the market price. Premiums above this price should only be paid in exceptional circumstances".

The buyback is not the only way that the Australian Government is recovering water for the environment. It has allocated a considerably greater sum to funding irrigation infrastructure upgrades (both on farm and off farm) in return for a share of the water saved.

Experience in Australia is that government programs to recover water through funding infrastructure tend to be slow and generally much less cost effective and efficient than buybacks. They can also cause a range of problems, including:

- running the risk of 'gold plating' assets that may subsequently become stranded
- being unfair to those who have already made such investments without government assistance
- decreasing reliability for water users downstream from the project area (by limiting return flows)

To manage these problems, and coordinate the infrastructure and buyback programs, it is the Commission's view that the price effectively paid for the water through infrastructure spending should be in line with the market price for water.

Paying premiums above this price in an effort to sustain communities is not likely to be an effective strategy, because factors other than government investment in irrigation infrastructure are generally more important to the future prospects of affected communities.

Do you agree? Are the conclusions upon which this recommendation based consistent with your experiences?

Do you support Recommendation 6.2?

Agree 42.9% (3 votes)

Disagree 28.6% (2 votes)

Unsure 28.6% (2 votes)

Comments

Submitted by Reb on Tue, 23/02/2010 - 10:29.

I'm unsure. It depends what constitutes "exceptional circumstances".

Submitted by WalterJ on Tue, 23/02/2010 - 11:29.

If you are concerned about being unfair to those who have already invested in structural improvements without any subsidies then how about back-dating rebates.

Based on 1 votes, 100% agree, 0% disagree

Submitted by pdurand on Fri, 26/02/2010 - 14:24.

Price is a number placed on the value of a particular item. This value can be derived from a range of benefits, which in the case of investment in on-farm infrastructure improvements, can include maintaining agricultural productivity, improving environmental outcomes, maintaining the socio-economic wellbeing of regional areas and others. Therefore, as a higher value can be derived from investment on-farm, it should be justifiable to pay a higher price for this value.

Submitted by Maria Riedl on Fri, 26/02/2010 - 14:47.

Hi again,

I agree with what you have written Neil.

- running the risk of 'gold plating' assets that may subsequently become stranded
- being unfair to those who have already made such investments without government assistance
- decreasing reliability for water users downstream from the project area (by limiting return flows)

All of the above indicates that you have taken note of the fact that when infrastructure upgrades are being paid for by the Commonwealth the projects **MUST** be rigorously investigated and these investigations must **NOT** be rushed. I notice in the papers the Farmers Federation and some States and some water corporations are trying to push and rush these upgrade projects through to the funding stage without due consideration. They have often failed to do a social and economic impact statement which could look at what the impacts would be on those farmers who are deemed to be closed down

because they are 'deamed' to be unviable, this without them being given a chance to object or to be assisted in an appropriate manner.

This is happening today down along the rivers in northern Victoria where yet another irrigation community has been told that they will be closed down because they have been judged unviable. There has been no community consultation they have been told. I will send the article which came to me yesterday to S. Rose. This is being done by NVIRP. There are some very large irrigators and growers in this area that are prepared to let the smaller farmers be shoved out the back door so long as they can expand and keep growing and profiting. These same people are the ones that went to the Victorian government to barter away 75GL of water to Melbourne in exchange for upgrades!

This also means that the upgrades upstream might be of disbenefit to us downstream users as there will be less water seeing and leaking back into the system. The idea that lining channels with black plastic and then covering it with black material then fencing it is a long-term and viable solution for our area in particular is ridiculous. It won't last and it is a short term and cheap measure. If you are doing upgrades you lay the pipes into the channels and then it is done forever. A permanent solution that does not bake and disintegrate in the sun and hot weather we have up here in the Sunraysia area!

'Gold plating' assets needs to be also vigorously looked at. Water Corporations are about money and they are owned by the state (at the moment!) and they are quite happy to take money for infrastructure upgrades. The issue here would be; are they upgrading the old systems or are they intent on closing the old system and expanding instead. They can do this a few ways; they can allow the older areas to sell their water and use that excuse to close those areas down and open up new ones and then just say we have the same amount but... In the Sunraysia district there was something called the "Deakin Plan" and this is what they suggested doing. It was all about huge farms and MIS schemes and shutting out and down the little farmers; the backbone of our communities in this area. Of course LMW (Lower Murray Water) was upset when the little farmers said no this was unacceptable and the social and economic impacts would be unacceptable to the community. thank goodness. But it looks like they might try again via the Sunraysia Modernisation Project.

Why should the Commonwealth be funding infrastructure that the Victorian State government is not funding in the above instance and when irrigators are selling up in huge numbers and walking off their lands. This land being of no or very little value due to the lack of water. When this area was set up, the only way the Chaffey brothers could do it was lobby the government to ensure that there was water tied to the land! This worked very well until unbundling occurred and water became a commodity to be bought and sold down river or even up river or even from one river system to another!

what a mess yet again. The over allocations should have been addressed in the first place and an immediate disallowance of ANY FURTHER extractions as at July 3, 2008 when the COAG agreement was signed! This would have allowed them to draw breath and set in place good actions that would have ensured the survival of the entire Basin and its farmers. Instead politics and politicians got in the way. They are responsible for this mess. They are responsible for the environmental, social and economic impacts which will devastate communities in the Basin.

It is time to state we have a state of emergency and all new extractions since July 3, 2008 must cease immediately until the over-allocation is adjusted and the water market stabilises and ...

When we have an 800km blue-green algal bloom last Easter along the Murray River then another from the Hume Dam to Echuca and possibly further as I write then we have the same situation that we had in 1994-5 when the Darling River had a 1,000km blue green algal bloom along its length and the first CAP on the MDB was instituted!

It was an emergency then, and a realisation that the system was over-allocated and this is happening yet again!

Maria Riedl

Submitted by Maria Riedl on Fri, 26/02/2010 - 15:10.

An observation: if water is so valuable why is water being allowed to be pumped via a 6 foot pipe from the Heritage listed Goulburn River in the MDB out of the MDB to be used to flush toilets and water lawns etc down to Melbourne and then out to sea at Gunnammatta?

This calls to question whether ALL users of water extracted from the Murray-Darling Basin should be included in the CAP that is to be implemented via the Murray-Darling Basin Plan?

Why should only irrigators, who grow food wear the entire risk; or even the environment, when it is clear there are other users who bear NO risk: urban areas, mining, forestry, industry, power companies etc ?

It appears to me that mining and forestry and power companies as well as other huge water users must also be considered in the equation. What about including them in the buybacks? If they are not paying full price for their water, then they should and then it would be more equitable wouldn't it?

Mining companies also pollute water, as right at this moment there is a court case whether a mining company is responsible for their dams breaking and the poisons gushing into the rivers because of floods. I would have thought that they bore the responsibility not just the profits!!

Same as forestry. Do they pay for their water or do they just reap the profits? is this equitable and fair?

Maria

Submitted by Maria Riedl on Fri, 26/02/2010 - 16:25.

I'd finally like to thank you and give you praise in your efforts to seek as much community input as possible. This type of forum is excellent as you can comment and get commented upon! it is all about ensuring that policies and strategies implemented do what they propose to do. Ensuring that the community has had a chance to input into these is vital to the democratic process and the result can only be of benefit to one and all.

thank you as I am constantly despairing of the way the present Victorian government makes promises at elections without any intention of adhering to them. The Result is of course anger, frustration, loss of faith, community isolation and alienation, and constant friction on the steps of Parliament with the eventual loss of government simply because they forgot what government is meant to do: listen and encourage participation in a democratic forum where all opinion and ideas are considered not just politicians imposing their agendas.

I thank you for this opportunity.

There are a lot of attachment emails heading to S. Rose and I hope they are helpful. I frrl that you are endeavoring to be independent and fair.

Maria Riedl

Submitted by Moderator on Fri, 26/02/2010 - 17:30.

Hi Maria

Thank you. Yes, we've received the extra information you've emailed through to me and I'll pass that on to Neil and the team for their consideration.

Have a great weekend

Sally Rose

Comment on Draft Recommendation 10.1 - Impediments to the Buyback

Submitted by Neil Byron on Wednesday 9/12/2009 00:58:34

"The 4 per cent limit on out-of-area trade of water entitlements should be eliminated as soon as possible, rather than phased out by 2014 as currently scheduled. Limits on the amount of entitlements that can be sold to the Commonwealth through the buyback should also be eliminated".

Under the National Water Initiative, Basin jurisdictions can impose an annual limit (or cap) of up to 4 per cent on trade in water entitlements out of irrigation areas. The cap affects trade to varying degrees across the Basin, but is most restrictive in Victoria. In 2008-09, trade in Victorian water entitlements was limited in eight out of the 10 irrigation districts that hold around 95 per cent of the state's high reliability entitlements.

In 2009, the Australian and Victorian Governments agreed to exemptions to the cap that will allow the Restoring the Balance buyback to purchase up to 460 gigalitres (GL) of water entitlements in Victoria over the next five years, up from the 160 GL otherwise allowed under the current 4 per cent limit. Victoria also agreed to phase out the cap from 2011 with a view to removing it by 2014. The exemptions mean the cap will be less of an impediment to the buyback. However, trade in entitlements will continue to be restricted.

In NSW, the 4 per cent cap has had limited impact on entitlement trade. However, in 2009, in response to large purchases of NSW water entitlements under the Restoring the Balance buyback, the state government set a volumetric limit on further Commonwealth purchases of 890 GL of general security entitlement over the next five years.

These limits on selling entitlements out of a region raise the price the Commonwealth must pay for water entitlements for the environment. It limits the gains from trading water from lower to higher value uses across the Basin, and restricts the rights of willing sellers to sell their entitlements out-of-region at a higher market price.

We are interested in participant's views on removing impediments to trade in entitlements, including but not limited to the 4 per cent cap on trade described above, and the impacts these might have on the buyback.

Do you support Draft Recommendation 10.1?

Agree 33.3% (1 vote)

Disagree 0% (0 votes)

Unsure 66.7% (2 votes)

Comments

Submitted by Reb on Tue, 23/02/2010 - 10:33.

My parents want out. Lifting the cap and allowing them to sell their entitlements down river would help raise some much needed capital to do so.

Submitted by WalterJ on Tue, 23/02/2010 - 11:32.

There should be no limit on the amount of entitlements that can be sold back to the Commonwealth. Letting those who want to will ease pressure on others.

Comment on Draft Finding 8.5 - Using the Buyback to Achieve Other Objectives

Submitted by Neil Byron on Wednesday 9/12/2009 00:41:22

"Using the buyback to address indirect objectives, such as achieving distributional goals, system rationalisation, and reducing the salinity impacts of water use is likely to compromise its effectiveness and efficiency. Other more direct instruments would generally achieve those objectives at lower cost".

We have received several submissions from participants who argued that the Australian Government should target the buyback to particular locations to address objectives that are not directly related to recovery of water for the environment. Such objectives include:

- **Reducing the adverse community impacts of the buyback**

Water can be purchased from regions that are perceived as being more economically resilient or that rely less on irrigated agriculture

- **System rationalisation**

The purchases of water can be concentrated in particular locations, so as to avoid a 'Swiss' cheese effect. The Swiss cheese effect occurs if geographically scattered irrigators exit irrigation, potentially leaving remaining irrigators with a higher cost of recovering common water delivery costs

- **Reducing the salinity impacts of water use**

The buyback can be targeted at purchasing water that results in highly saline return flows

We have considered the case for targeting the buyback to pursue the above objectives and concluded that it is unlikely to be the best way of achieving them. In particular, unless rules were put in place to prevent water being traded back to the area after the buyback, any effects of a targeted approach are likely to be undone by subsequent private water trade.

Also, such targeting could unfairly exclude irrigators in non-targeted areas from participating in the buyback, while putting additional pressure on efficient irrigators in the targeted areas to exit. Where government intervention is warranted in

addressing the above objectives, other more direct instruments (some of which already exist) would generally achieve them at lower cost.

We invite your comments on our discussion and finding on the case for targeting the buyback to address additional unrelated objectives.

Do you support Draft Finding 8.5?

Agree 100% (3 votes)

Disagree 0% (0 votes)

Unsure 0% (0 votes)

Comments

Submitted by Reb on Tue, 23/02/2010 - 10:36.

You can't make the best decision for the health of the river system while your worrying about what's happening on town. The MDBA should make decisions based on what will improve flows.

Submitted by WalterJ on Tue, 23/02/2010 - 11:34.

Why doesn't the government force Sydneysiders to sell their water entitlements?

Comment on Draft Finding 6.1 - Setting Sustainable Diversion Limits

Submitted by Neil Byron on Sunday 6/12/2009 22:04:30

"Under the Water Act 2007 (Cwlth), the Murray Darling Basin Authority is required to determine environmental watering needs based on scientific information and to consider least cost ways of meeting these needs in setting sustainable diversion limits. This way of allocating water between environmental and consumptive uses does not take into account community preferences, the opportunity cost of water or the role of other inputs such as land management. As the sustainable diversion limits will be used to guide

future water purchasing under Restoring the Balance, the effectiveness and efficiency of this program are likely to be compromised".

The Murray-Darling Basin Authority (MDBA) is required to develop and implement a Basin Plan by 2011 that will set (long-term average) environmentally Sustainable Diversion Limits (SDLs) on quantities of surface water and groundwater extraction.

According to the Water Act 2007, they must be set using the best available scientific knowledge and they must reflect an environmentally sustainable level of take. It is expected that these limits will be much lower than current diversion limits to allow a substantially higher proportion of whatever water is available to be allocated for ecosystem requirements. For more information, see [the MDBA SDL issues paper](#).

Conducting the buyback before SDLs are set means that some purchases may be inconsistent with the Basin Plan. The Australian Government may buy more water in some regions than is required under the SDLs, thereby causing unnecessary socio-economic disruption.

There are also concerns about the ways the limits are being set.

While good science is clearly important in setting the sustainable diversion limits, so are the trade-offs between competing environmental uses of water; as well as between consumptive uses and the environment. The MDBA is to conduct social and economic analyses to guide its consideration of how much water each catchment should contribute to meet environmental requirements. However, it seems to be precluded from considering the opportunity costs in setting the SDLs themselves.

Further, the Basin Plan appears to be focused on the achievement of environmental outcomes based solely on water. While recovering more water is often a prerequisite for better environmental outcomes, other inputs such as capital works to control environmental flows, and changes to land management practices may be necessary. The failure to consider such requirements could mean that water is recovered in areas where it does not achieve significant environmental benefits.

We welcome your thoughts in response to this finding. Please register and login to leave your comments below.

Do you agree with Draft Finding 6.1?

Agree 60% (3 votes)

Disagree 0% (0 votes)

Unsure 40% (2 votes)

Comments

Submitted by Reb on Tue, 23/02/2010 - 10:41.

Without knowing what the SDL will be everybody is playing a waiting game. They should just set one and fix a date to review it every 12 months. It will probably be too low, but a start is better than nothing.

Comment on Draft Recommendation 6.1 - Who Bears the Risk of Lower Levels of Water Availability?

Submitted by Neil Byron on Wednesday 9/12/2009 00:46:12

"All Basin jurisdictions should clarify how the risk assignment provisions set out in the National Water Initiative, as amended in the Water Act 2007 (Cwlth), will apply to the reductions in water availability that are likely under the Basin Plan. This should occur as soon as possible".

The Basin Plan is widely expected to set limits on the consumptive use of water (mainly irrigation) that are well below current levels. Irrigators are unsure how much of this gap will be made up by a cut to their water allocations, and whether some or all of this cut will be compensated.

An agreement between governments - the National Water Initiative - includes 'risk assignment provisions', which go some way to indicating the circumstances under which irrigators will bear the risk of reduced water availability and those in which governments will. But it is not clear how these provisions will be applied.

Uncertainty about risk assignment has implications for the buyback.

Irrigators need to know if they should enter the buyback now or risk the uncertain loss of an unspecified proportion of their water entitlements and/or less reliable seasonal allocations in the future.

Comments are welcome on the extent to which this uncertainty is affecting irrigators' participation in the buyback, and on any other matter relevant to this draft recommendation.

Do you support Draft Recommendation 6.1?

Agree 80% (4 votes)

Disagree 0% (0 votes)

Unsure 20% (1 vote)

Comments

Submitted by Reb on Tue, 23/02/2010 - 10:49.

From where I sit, small farms are carrying way to big a load of the risk. The rising cost of water cannot be passed on in prices so the government MUST provide better compensation if they expect people to keep producing.

Submitted by Maria Riedl on Fri, 26/02/2010 - 14:15.

I agree with the above statement. It appears that yet again irrigators are to bear the entire risk of less water allocations when the MDB Plan Cap is fully implemented. I would state that EVERYONE who takes water from the Murray-Darling Basin (surface and ground) must equally share the pain. By this I mean that Melbourne which has just attached itself onto the 'teat' of the Heritage listed Goulburn River and the Murray River (two bulk entitlements to be written-still to be passed though!) must surely also be required to share the burden. Many others and I would say that it would be unreasonable and inequitable for the environment and irrigators to shoulder the entire burden when it is evident that we are already disadvantaged. When we have a water Minister in Victoria that refuses to talk with our irrigators and environmentalists regarding water allocations and uses the "critical human needs" term as an excuse to rush through ecologically unsustainable projects such as the North-South pipeline, when we have a government that has not looked at ALL options to ensure water is fairly distributed then we have inequity and disadvantage including a failure of the responsible authority to ensure that they are prepared to take responsibility. Water projects in our state are rushed through without a full EIS including a full economic and social report that addresses inter-generational equity then we have a disaster impacting upon all of us.

The day when they decided to make water a commodity to be bought and sold to the highest bidder is the day when disaster struck. Markets do not deal in equity, the deal in dollars and cents, in power, in share-holders, in profits and political agendas. They do not include the environmental or human factor. When a government is putting a price on water that falls from the sky and charging us because they say they are looking after

the catchment we have a problem. Then this same government of course panders to the huge water projects because they make money for their water corporations and therefore the state.

So, I believe that the risk must be born by all; metropolitan areas that are attached to the MDB, irrigators, developers, mining companies, forestry, urban, electricity providers, and all users of the water flows above and below ground in the Murray-Darling Basin. All must be cut back by 10-30%. Then the idea of compensating those that deserve it must be worked out fairly taking into account social, environmental and economic factors and all promises that have been made under the Constitution of Australia.

Maria Riedl

Submitted by WalterJ on Tue, 23/02/2010 - 11:36.

We're waiting

Comment on Draft Recommendation 10.2 - Carrying Over Water from One Season to the Next

Submitted by Neil Byron on Sunday 6/12/2009 17:49:16

"The Murray Darling Basin Authority should commission an independent study into ways of expanding the ability of water users to carry over water, while adequately managing third party impacts. This study should consider options that treat environmental entitlements and consumptive use entitlements the same and options that treat them differently".

Prior to the late 1990s, holders of water entitlements generally lost any of their allocation that they had not used or traded by the end of the irrigation year. Since then, new arrangements have been introduced in most regions to allow entitlement holders to hold over some of their water to the following year. Most commonly, carryover provisions have been used, with limits on the volume of water that can be carried over established at the system level.

The National Water Commission recently concluded that the existing limits on carryover may be overly conservative. That is, that they go beyond what is needed to manage the potential for carryover to cause dam spills, which harm other water users.

Capacity sharing is an alternative system that fully devolves the decision on how much water to hold over to individual entitlement holders. Under capacity sharing, users are allocated a share of total storage capacity. Capacity sharing is not widely used, but has been introduced in parts of Queensland.

We are seeking feedback on options for giving water users, including the holders of environmental entitlements, more flexibility in how they manage their water over time. How should third-party impacts (like dam spills) be addressed? Could capacity sharing be introduced in the southern Basin? Are existing carryover limits too conservative? What are the arguments for and against treating environmental managers differently from other water users?

Do you support Draft Recommendation 10.2?

Agree 42.9% (3 votes)

Disagree 0% (0 votes)

Unsure 57.1% (4 votes)

Comments

Submitted by Reb on Tue, 23/02/2010 - 10:55.

It is increasingly ridiculous to try and make water entitlements conform to the traditional seasons, they just aren't cooperating. Considering how low levels are in SA it is criminal mismanagement that dam spills are being allowed to happen at all. Yes. existing carry over limits are too conservative.

Submitted by WalterJ on Tue, 23/02/2010 - 11:38.

In favour of bringing in capacity sharing.
