



Murray Irrigation

Productivity Commission Inquiry
Murray-Darling Basin Plan: Implementation Review 2023
Response to Interim Report
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Introduction

Murray Irrigation Limited (MIL) welcomes the focus of this inquiry by the Productivity Commission (the Commission) and note that it comes at a crucial time given the recent proposed shift in the approach to water recovery under the Basin Plan towards market buy-backs.

We wish to reiterate that it is MIL's position that a high degree of collaboration and genuine cooperation with the irrigation sector and regional communities can lead to positive environmental outcomes, which is the focus of the Basin Plan, and optimise economic outcomes. The Basin Plan is a tool for natural resource management, but it is the people on the ground in the regions who manage water for outcomes across the Basin and bear the negative outcomes of poor policy design and implementation. Ongoing engagement and access to systems, knowledge and resources are critical to the successful implementation of the Basin Plan.

That is why it is important to recognise the impact of a rushed design of new implementation arrangements and ensure that the Commission's advice includes specific design recommendations to guide water recovery policy development in 2024.

Overview

- 1) We would like to support the general thrust of the Productivity Commission's findings and recommendations which provide a strong focus for improved implementation of the Basin Plan.
- 2) We would like to strongly endorse recommendation in three policy areas:
 - 4.1 Simplifying requirements for water resource plans
 - 5.1 Strengthening the roles of Aboriginal and Torres Strait Islander people in the Basin Plan.
- 3) We would like to endorse, with comment, recommendations addressing the following issues:
 - 2.1 Australian Government transparency, and authority, over decisions for supply, constraints-easing and northern Basin toolkit measures.
 - 2.2 Reset and extension of the implementation of constraints-easing projects
 - 2.4 Development of a renewed approach to water recovery
 - 9.3 Strengthening the community voice in Basin decision-making
 - 3.1 Improving the effectiveness of the Basin Wide Environmental Watering Strategy
 - 6.3 Strategic coordination of knowledge generation and sharing activities.
- 4) We do not support the following recommendation at this time:
 - 8.1 A comprehensive review of trading rules in the Basin Plan.

We acknowledge that the Commission has recognised that the Basin Plan is in its establishment phase. It is critical that time and resources are provided to retool the system and ensure that the right investments and decisions are made to optimise the environmental outcomes sought. The Productivity Commission was appointed the key body to independently assess the Basin Plan and its implementation for this very reason. Decisions made now will have long ranging impacts on the productive capacity of the Basin and achievement of environmental outcomes across the whole of the Basin.

It is important that there is a structured approach to policy development. We advise the Commission to highlight issues that will affect the reset of the Basin Plan and Water Recovery and suggest that it includes a step to revisit these arrangements in the short term. We learnt from the 2018 review that Government's lack of response has led to huge implementation issues and an increase in costs to the detriment of regional communities and taxpayers.

Preamble

The irrigation sector is critically important to Australia. The key risks to the sector are persistent reductions in water availability across the production system from climate change and changes in government policy. Stable water supply increases regional diversification, provides the opportunity to grow higher value crops and smooths production over time. This is of immense value to Australia and the world through our exports.

MIL believe that the implementation of the Basin Plan has seen a period of successful establishment of a complex re-balancing through water recovery and the establishment of innovative water management institutions such as the Commonwealth Environmental Water Holder (CEWH).

At the same time, we have noted a gradual degrading of effort, and it seems capacity, to delivery complex water management projects in the supply works, constraints and policy reform of the system. In NSW, this has affected delivery of projects, and the ultimate outcome is an irrigated agriculture sector under pressure.

It is our view that the recommendations of the Commission are at risk from this lack of capability and also lack of appropriate resourcing for what are increasingly complex 'optimisation' decisions. It is becoming clear that decisions around water recovery can have not only implications for irrigated agriculture and economic impacts on regional communities, but also there is a potential for unintended environmental outcomes and inefficient expenditure on water which may provide marginal benefits. The concept that any water recovery is equally beneficial does not necessarily hold across all locations and requires assessment.

We would like to acknowledge that the Commonwealth Environmental Water Office has developed systems and partnerships in our state that have seen localised plans and solutions for environmental outcomes. The lessons from this success are valuable when considering the future.

It is our observation that the Basin Plan should begin to better reflect principles and a focus on supporting and facilitating outcomes at a local level, while providing appropriate integrity mechanisms rather than attempting to manage resources and processes through administrative mechanisms from Canberra.

Key recommendations supported

Interim recommendation 4.1: Simplify requirements for water resource plans

We agree that the process of preparing and assessing water resource plans is onerous and time-consuming. We would also like to point out that the risk of over extraction in New South Wales (NSW) should be placed within context as data on extraction and Long-term Extraction Limit compliance assessment for NSW water sources is available and compliance actions are undertaken.

The processes around Water Resource Plans are emblematic of the lack of recent focus from the MDBA and the States. It seems that a focus on documentation and process are more important than working on projects and implementing good planning processes that reflect not only Basin-wide but local issues.

Interim recommendation 5.1: Strengthen the roles of Aboriginal and Torres Strait Islander people in the Basin Plan

MIL broadly support the findings and recommendations around the roles of Aboriginal and Torres Strait Islander people in the Basin Plan. It is noted, in line with broader comments many opportunities in this space occur at scales that could be considered 'below' the level that is the focus of organisations such as the MDBA.

Murray Irrigation is working with the Commonwealth Environmental Water Holder and the NSW Department of Planning and Environment delivering water for environmental outcomes. We are keen to explore partnership opportunities with local First Nations people to improve local environmental and cultural outcomes. We also welcome engagement to work on proactive initiatives that support local Aboriginal communities and serve as enablers for economic development.

Key recommendations broadly supported with comment

Interim recommendation 2.1: The Australian Government should be more transparent, and have greater authority, over decisions for supply, constraints easing, and northern Basin toolkit measures Reset and extend implementation of constraints-easing projects and

Interim recommendation 2.2: Reset and extend implementation of constraints easing projects.

We support a constraints roadmap. We agree with the Commission that the assumptions underpinning the 450GL program are changing and we support further assessment of the outcomes to be achieved by the additional 450GL program once the constraints roadmap is understood.

In 2018, the Commission recommended *that the Australian Government's program to achieve enhanced environmental outcomes with an extra 450 GL of water recovery through efficiency measures needs to be adaptive to new information.* These outcomes are at risk as key program assumptions have changed. We want to emphasise the previous recommendation that *'the Murray-Darling Basin Authority (MDBA) should update its modelling to reflect current information. The Australian Government should recover water in line with the ability to use it effectively.*

With the increased knowledge of the system that has been gained over the past decade, the positive outcomes of environmental targeted watering and the huge increase in costs of delivery, it is incumbent on Government to ensure that the expenditure and community pain from lost production must be shown to be worthwhile.

MIL is not arguing that there is nothing to be done to improve the sustainability of the Murray-Darling, rather that it should be targeted, use best available knowledge and be transparent. The Basin Plan evaluation and 2026 Review are only a matter of months away and they should be used to examine the effectiveness of constraints projects and proposed use of any package of water recovered under the 450 GL target.

Interim recommendation 2.4: Develop a renewed approach to water recovery

The objective for this recommendation seems to focus on a renewed approach to water recovery to manage the risk of a supply measure shortfall. However, the focus is on water purchase. MIL suggest that this approach should first focus on successful delivery of projects, development of SDLAM like projects and efficiency works as a first phase of the response.

The current approach states that it *'should consider all water recovery options, including voluntary water purchases. However, purchasing should be undertaken gradually, to avoid driving rapid water market and community adjustment'*. The Commission should be more explicit in what is considered a due consideration of options. It is our strong fear that this process will default to buy back as other options involve 'owning failure' by Governments or development of a project with a degree of complexity that will rule them out given current timeframes.

The Commission should examine the length of time taken for other significant programs such as the Northern Victorian Irrigation Renewal Program and even projects such as the Nimmie Caira (which took around six years from the first approach of landholders to government through to the adoption of a suitable management model) to ensure this recommendation is not merely code for buyback.

We agree that the Australian Government should update its water recovery strategy so it is clear how this renewed water recovery program will proceed. In addition to current recommendation the strategy should outline:

- A move to the phasing of water recovery methods to achieve targets
- An exploratory phase to develop community adjustment programs, based on regional plans that include a step that works to explore the implication for irrigation network viability with owners of these networks
- A parallel process be developed exploring structural adjustment principles, approaches and co-design processes that target emerging impacts
- Suitable reporting requirements.

Interim recommendation 9.3: Strengthening the community voice in Basin decision-making

The Basin Plan and future water recovery plans should be well designed and targeted to meet a range of policy objectives that are informed by communities. Water recovery targets should be structured in a way that maintains and (where needed) rebuilds the health and prosperity of not only the environment, but agricultural-reliant towns and communities that have had to adapt. Contrary to current narratives this is possible.

We broadly support the sentiment within the above recommendation. Basin communities are needed to be part of the future solutions for the Basin, not excluded or consulted after decisions have been made.

We note the MDBA's ongoing presence in communities, and a lack of presence from DCCEEW. We would highlight that a key distinction between the MDBA/DCCEEW and the CEWO is the level and type of decision making. A focus on local assets and operations from CEWO is vastly different to decisions on system-wide water management, infrastructure, water recovery and sustainable diversion limits. Effective community engagement should actively involve communities in decision making. It should be clear in any strategy the scale and importance of the decision and the consultation designed to inform this process. A standing regional presence or a one size fits all community representative structure are not suited to 'co-design' processes on critical issues. These consultations should be fit-for-purpose, time-bound and the purpose and process for considering options be clearly communicated to relevant communities.

We note that the current recommendation that *'The Basin Community Committee should have a standing agenda item at Basin Officials Committee meetings to provide input and advice on matters from a community perspective. The Basin Officials Committee should publicly report on how this input and advice has been considered and has influenced decision-making'* is very weak with little accountability.

We suggest that key decision-making process should have an explicit community engagement strategy, and this should be agreed as part of normal planning for MDBA and DCCEEW projects and programs. These should be documented and agreed as part of BOC approval process and communication of strategic initiatives.

Interim recommendation 3.1 Improving the effectiveness of the Basin Wide Environmental Watering Strategy

We agree that the Basin Wide Environmental Watering Strategy (BWEWS) should include an objective that environmental watering should seek to contribute to social or cultural environmental outcomes (where compatible with environmental outcomes).

Over the longer term, a framework for the coordination of environmental water management with natural resource management should be developed by the Murray–Darling Basin Authority and Basin state governments and included in the BWEWS.

We would note that the that the BWEWS should reflect outcomes of the 2026 Basin Plan Review and this is the appropriate place to examine objectives, options and establish targets across the Basin which should then be reflected in various strategies.

Interim recommendation 6.3: Strategic coordination of knowledge generation and sharing activities. The Australian Government should establish a role for overseeing and coordinating knowledge generation and knowledge sharing across the Basin.

MIL agrees with this recommendation; however, this role is unlikely to be effective unless there are a series of key questions and a relevant work program that serves as an outline for investigations adopted.

The knowledge requirements should be articulated as part of an adaptive management framework and inform the evaluation and the Review stage of the Basin Plan at each review. A knowledge or science strategy should be developed as part for the 2026 Review and beyond for:

- The Basin as a whole
- Sub-basins as appropriate
- Critical landscapes; and
- Each SDL Resource Unit.

We agree that R&D, greater innovation, and technology take-up are important contributors to businesses developing best-practice adaptation strategies. Research is also essential to inform ways in which the water sector can support existing and developing agribusinesses to lift their productivity to mitigate impacts of buy-backs.

Key recommendations not supported at this time

Interim Recommendation 8.1: A comprehensive review of trading rules in the Basin Plan

The Murray–Darling Basin Authority (MDBA) should ask the Australian Competition and Consumer Commission (ACCC) to conduct a comprehensive review of the Basin Plan trading rules.

It is unclear as to why the MDBA with the knowledge of the system would be better placed to know how unnecessary trade restrictions should be identified and removed. Water is many markets and bio-physical and system constraints are real and, in some cases, involve trade-offs.

We are aware of trading issues, but these seem clear and well known and the critical step is the development of trade rules options. This should be conducted by the MDBA with a process for costs and benefits to be specified using a suitable consultant and transparent process.

Information Request

Information request 2.1: The Commission is considering the merits of establishing a new corporate Commonwealth entity to address the anticipated water recovery shortfall.

MIL support the establishment of an entity that provides the ability for the Commonwealth to rapidly scope, select and triage supply projects and new SDALM projects. A note that an entity should be able to assess cross border system level efficiency projects for savings and environmental outcomes with the modelling assistance of the MDBA.

Regards water recovery, we are concerned that if, as there is to date, there is heavy reliance on the State Government to bring forward ideas the timelines outlined will allow very few if any projects to be delivered.

The aim of the entity should be to enable open and transparent exploration of ideas on a no prejudice basis and refer proposals and/or businesses cases for an investment decision, with an appropriate recommendation to the funding decision maker. The guiding principles should include value for money and minimising community impacts from water recovery but also ability for innovation and to cut through competing interests.

It is important that the Commission outline the key features of a process to consider these ideas and proposals so that if an entity is not created, suitable processes can be developed by DCCEEW to deliver a rapid and structured prioritisation of proposals, and establish clear criteria for funding.

References

Productivity Commission (2018) 5-year review of the Murray-Darling Basin Plan.

Productivity Commission (2023) Murray–Darling Basin Plan: Implementation review 2023. Interim report.

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