



Submission to the Murray-Darling Basin Plan: Implementation review 2023

The Victorian Farmers Federation (VFF) welcomes the opportunity to provide comment on the Productivity Commission's Productivity Commission 5-year implementation review of the Murray Darling Basin Plan Interim Report.

The VFF believes that a number of areas need to be further addressed by the Productivity Commission in its final report. These are identified below.

Key Issues:

Interpretation of Implementing the Basin Plan in Full:

The Productivity Commission states on Page 4 of its interim report that the common understanding of the conditions associated with recovering water towards the 450GL when the Basin Plan was introduced in 2012.

"The Basin Plan also allows for the recovery of an additional 450 GL/y of water rights via efficiency measures to pursue enhanced environmental outcomes, provided they deliver neutral or improved socioeconomic outcomes." (Pg 4)

The Productivity Commission then goes on to say that:

"The additional socioeconomic criteria, agreed to by the MDB Ministerial Council December 2018, are restrictive". (Pg 64)

The Productivity Commission fails to acknowledge that this criterion was agreed unanimously by Basin States and Commonwealth in 2018.

The Productivity Commission later states:

"The Australian Government's water recovery strategy should incorporate socioeconomic monitoring to identify likely adjustment pressures exacerbated by specific purchases or projects and to inform more effective targeting of transitional assistance." (Pg 88)

Unfortunately, the Productivity Commission has adopted the political rhetoric of the Commonwealth Government, which differs to the original understanding of the Basin Plan.

The Commonwealth Government and now the Productivity Commission have misrepresented that the Basin Plan must deliver an additional 450GL of water. Implementing the Basin Plan in

full **does not** require the 450GL to be delivered in full. The agreed Plan specifies that 450GL would be recovered if there were no negative socio-economic impacts. Any recovery of the 450GL is subject to the socio-economic test of 2018.

Former Water Minister, Tony Burke, promised in 2012 that no water for the 450GL would be recovered by buybacks as it created too much “downside”. The proposed legislative changes will bypass the socio-economic test and will break that promise.

The Commonwealth’s persistent misrepresentation of the Basin Plan to win political support in South Australia and its refusal to consider socioeconomic impacts on communities or make even the most rudimentary efforts to document the additional environmental outcomes it is seeking, further erodes public confidence in the government. It is certainly not acting impartially or in the national interest.

The Productivity Commission in this report must maintain its independence and provide impartial analysis and advice without fear or favour in its final report. The Productivity Commission should have regard to Section 8 of the *Productivity Commission Act 1998*.

PC should have regard to Section 8 of Productivity Commission Act

The VFF notes the Productivity Commission stated:

“We also considered how the Basin Plan could better adapt to a changing climate, better recognise the values of Aboriginal and Torres Strait Islander people and incorporate the best available science. We did not revisit questions that fundamentally underpin the Plan, such as whether it is necessary to recover water for the environment, or questions that other agencies have been tasked and resourced to answer (such as how much water can sustainably be taken from the Basin). “ (Pg 5)

The VFF do not believe the Productivity Commission has fulfilled its obligations under the *Productivity Commission Act*. While it notes it is are happy to consider climate change, best science and Aboriginal and Torres Strait Islander people, it did not consider costs to the economy and growth of Australian industries.

The VFF notes that Part 2.8 of the *Productivity Commission Act* states:

General policy guidelines for Commission

(1) *In the performance of its functions, the Commission must have regard to the need:*

- (a) *to improve the overall economic performance of the economy through higher productivity in the public and private sectors in order to achieve higher living standards for all members of the Australian community; and*
- (b) *to reduce regulation of industry (including regulation by the States, Territories and local government) where this is consistent with the social and economic goals of the Commonwealth Government; and*
- (c) *to encourage the development and growth of Australian industries that are efficient in their use of resources, enterprising, innovative and internationally competitive;*

The VFF believes that while the Productivity Commission could be satisfied its report provides advice that results in the efficient implementation of the Plan, the real risk is:

- The overall economic performance of the Murray Darling basin is decreased.
- The regulatory burden is increasingly onerous and inconsistent with social and economic goals.
- The development and growth of Australia industries is damaged.

The Productivity Commission appears to focus on some costs of delivering the Basin Plan but not all must have regard to Part 2.8 of its legislation.

Assumption there is agreement to the Basin Plan:

The Productivity Commission correctly reports that the Commonwealth has entered into an agreement with New South Wales and South Australia, but not Victoria. The report then assumes however that there is an effective agreement in place for the delivery of the Plan.

“On 22 August 2023, the Australian Government announced a new agreement of Murray–Darling Basin ministers to deliver the Basin Plan in full over a longer time period (it has been apparent for some time that the Basin Plan will not be delivered in full or on time by the June 2024 reconciliation date). The Victorian Government is not party to the agreement” (Pg 6) .

It would be much more accurate to say there is no agreement and the Productivity Commission should consider the consequences of the lack of the agreement on:

- the delivery of the Basin Plan
- more broadly, the future operation of MDB water management arrangements

This fundamental issue for the implementation of the Basin Plan is ignored in the interim report. The VFF believes the Productivity Commission must address it in the final report.

New South Wales, whilst signing up to the Agreement, has said it does not support water buybacks and the Victorian Government has vehemently opposed water buybacks. There has never been such disunity in water management of the Basin than what we are facing right now.

The VFF is alarmed at the Commonwealth’s wilful destruction of the successful cooperative interjurisdictional management arrangements for the Murray River. The Murray Darling Basin has been based on 100 years of cooperative management between Basin States and the Commonwealth. The *Restoring the Rivers Bill* is destroying these cooperative arrangements by expanding Commonwealth water purchases without the agreement of the Victorian Government who are strongly supported by the VFF and regional communities.

The Commonwealth Government appears steadfast in holding Victoria to ransom by not funding its Victorian Murray Floodplain Restoration Projects because it will not sign the agreement to support water buybacks. These environment projects are well supported and will deliver real environmental benefits to about 14,000 ha of wetlands. Failure to fund these projects will doom these wetlands.

It seems the Commonwealth would rather punish communities with water buybacks than fund environmental projects that produce well supported environmental outcomes.

Misrepresentation of Support for the Basin Plan

The VFF is concerned the interim report has misrepresented community support for the Basin Plan. Quotes in the report supporting a healthy environment are interpreted as support for the Basin Plan. Many have commented on what the Basin Plan has achieved to date. The National Irrigators' Council, for example, said:

“The Plan has been a vital tool in balancing the needs of our communities, our environment and our productive sector. It hasn't always got it right, but it has achieved a great deal since its inception. Ensuring balance is needed so we can keep our rivers and communities healthy and thriving.” (Pg 7)

There is a great deal of misrepresentation about what the Basin Plan requires. The agreed Basin Plan requires the recovery of 2,680GL with the possibility of the additional recovery of up to 450GL if there is no negative socio-economic impacts. However, the Commonwealth Government misrepresents the Basin Plan as requiring the recovery of the 2,680GL and the full 450GL regardless of socio-economic impacts. The VFF and Victorian government have never agreed to this interpretation of the Basin Plan.

The VFF believes the Productivity Commission needs to be clear that support for a healthy environment cannot be taken as support for the Commonwealth Government's revisions to the Basin Plan.

Misrepresentation of opposition to water buybacks

The opposition to buybacks is not a minor technical debate about delivery method. Rather it is driven by the lived experience that buybacks irretrievably damage local communities, destroy jobs and reduce agricultural production. It is about the real costs of buybacks.

There is no tangible scientific valid description of the additional environmental benefits to be generated. Instead the costs are weighed against vague environmental objectives:

No evidence that benefits are greater than costs

Sections 86AA of the *Water Act* states:

- (1) The object of this Part is to enhance the environmental outcomes that can be achieved by the Basin Plan, as in force from time to time, by:
- (a) protecting and restoring the environmental assets of the Murray-Darling Basin; and
 - (b) protecting biodiversity dependent on the Basin water resources;

These objectives are too vague to give comfort to local communities that the costs to be imposed on them are outweighed by the benefits.

It is also alarming the Commonwealth government seem to be prepared to invest billions of dollars with such vague descriptions of benefits. Just as alarming is that the Interim Report makes no effort to investigate if the benefits exceed costs.

The VFF believes the Productivity Commission should be calling for clear environmental benefits to be identified for particular regions and the volumes of water required to achieve these benefits. This must be a requirement of the proposed amendments to the legislation to deliver to increase the likelihood that benefits exceed costs and accountability.

We know to date that current environmental water cannot be delivered due to capacity constraints along the river system. The VFF believes the Productivity Commission needs to acknowledge that it cannot effectively use the water it currently holds, meaning it does not need more water. There is no guarantee that delivery constraints will be overcome. Productivity Commission should discuss the merits of taxpayers' money being used to recover water that may not be able to be delivered.

In 2020 the Commonwealth Environmental Water Holder, Jodi Swirepik, stated that getting more water for the 450GL was not her priority. She noted the environmental gains to date in a Senate Estimates hearing on 23rd October 2020:

“Even in the record-breaking drought, environmental flows have provided positive outcomes across the basin. For instance, this year marks 10 years of continuous flows into the Coorong since the breaking of the millennium drought in 2010. This means that the Basin Plan has worked as the recent drought did not result in the same terrible impacts and the risk for the end of the river system.”

The Productivity Commission in 2018 found that:

“There has been no update to the 2012 modelling to estimate what environmental benefits can be realistically achieved under the revised constraints proposals” (Pg 40)”

Recommendation 5.1: The MDBA should comprehensively update and publish modelling to confirm, the enhanced environmental outcomes that can be achieved with additional water

The VFF believes that no more water should be recovered for the environment until such time that environmental benefits of recovering additional water are demonstrated to be greater than the costs.

The VFF believes the Productivity Commission needs to revisit its recommendation from 2018 calling for clarity on environmental outcomes.

The VFF questions the evidence identified in the interim report supporting water buybacks. The report does not quote the Government's own economic analysis through the Australian Bureau of Agricultural and Resource Economics (ABARE).

The VFF believes the final report should acknowledge the following comments from ABARES in 2020:

“buybacks reduce the supply of water available for irrigation so therefore increase allocation prices”

The additional costs of the structural adjustment and infrastructure rationalisation must also be considered.

Drought

The Productivity Commission note:

“Environmental water is in high demand, supply is limited and decisions about priorities are required, particularly during drought. During droughts, ecological health, water availability and water quality depend on more than the actions of environmental water holders.” (Pg 107)

Droughts have proven that we all need to cope with less water and adapt. It would be valuable for the Productivity Commission to provide additional advice on the current limitations on the ability for CEWO to trade its water allocations during droughts. The economic consequences of the next drought are likely to be very severe if environmental allocations are withheld from the market.

The Commonwealth Government is not considering farmers or regional Australians. It is simply planning to take water from farmers and food production and give it to the environment.

Frontier Economics' 2022 Report found that if 760GL of extra water is purchased (on top of the 3,000GL of water that has already been recovered for the environment in the last 20 years) then in the next drought 60,000 acres of permanent plantings will have to be dried off to die.

Purchasing 760GL of water will see a reduction of over \$850 million in agricultural output per year. Less water means less food and a higher cost of living for all Australians.

Frontier's report also proved that the Basin Plan alone has reduced milk production in Northern Victoria by 400 million litres. With over 10 major dairy processors located across Northern Victoria and numerous manufacturing jobs reliant on milk production, many locals are concerned that the additional decrease in milk production resulting from this Bill will cost dairy manufacturing jobs in their towns. The Commonwealth has used press releases to criticize this report but have failed to provide their own analysis. The Basin will suffer if political grandstanding replaces a political robust analysis.

Northern Victorian milk production has become critical in supplying the Eastern Seaboard. The New South Wales and Queensland dairy industry has reduced and trucks from Northern Victoria are continually supplementing New South Wales and Queensland's requirements. Where will the milk come from if it can't be produced in Northern Victoria?

Victoria's water supports Basin Plan environmental objectives and outcomes during drought. This is why our high reliability water shares were so heavily targeted by Commonwealth water buybacks during 2008. More than 80 percent of the high reliability water entitlements purchased to date have come from Victoria. Over 1200GL has been purchased, of the 1,200GL, 600GL are high reliability water products, of those high reliability products, just over 500GL came from Victoria.

In the drought of 2018, Victoria provided 73 percent of all available environmental water. New South Wales water wasn't available because the entitlements purchased by the Commonwealth in New South Wales had such low allocations. Very little high reliability water has been purchased from New South Wales. This means that Victoria suffers disproportionate economic costs.

The 2018 drought experienced across parts of the Basin was short lived. The major changes to water availability enforced by Basin Plan water purchases are yet to be tested in prolonged drought. The VFF remain extremely concerned that the Commonwealth Government's 'buy water first and worry about the consequences later' approach will be catastrophic for regional Australians during the next drought.

Northern Basin

The VFF supports the Productivity Commission identification of further focus in the Northern Basin:

"The Australian Government should implement a monitoring framework, together with public reporting, to provide assurance of environmental outcomes for completed northern Basin toolkit projects" (Pg 108)

The most serious environmental issues are occurring in the Darling River and the Northern Basin. Water flows into Menindee Lakes from the Darling River have decreased by 80% over the last 20 years. 30-40 million fish died in March on the Darling and additional fish deaths occurred in 2018 and 2019.

The Inspector General for Water Compliance found that for the last three years New South Wales has used well above the volume of water it was permitted to take in the Darling system. For example, in 2021-22 the Barwon Darling used 40 percent more water than it was permitted to take.

The proposed legislative amendments in the Restoring the Rivers Bill do nothing to address the environmental problems on the Darling River. The proposed amendments link water purchases to Schedule 5 of the Basin Plan which sets out environmental outcomes for the Murray River, not the crisis riven Darling River.

The Productivity Commission should focus on the most pressing environmental issues. These are in the Northern Basin. The Productivity Commission should place obligations on the Commonwealth to act to address the series environmental problems of the Darling River.

There is no contemporary scientific analysis that quantifies the improved environmental outcomes to be achieved by the additional 450 GL of water. The billions of dollars of Commonwealth funding required to purchase the 450 GL of water must be supported by thorough scientifically defensible analysis of the benefits and costs.