

M U R R A Y   R I V E R   G R O U P   O F   C O U N C I L S



11<sup>th</sup> February 2010

Recovering Water in the MDB  
Productivity Commission  
LB 2 Collins Street East  
MELBOURNE VIC 8003

Dear Sir/Madam,

**SUBMISSION - RECOVERING WATER IN THE MURRAY DARLING BASIN**

Please find attached the submission by the Murray River Group of Council's (MRGC) on the 'Market Mechanisms for Recovering Water in the Murray-Darling Basin' study commissioned by the Productivity Commission.

The MRGC is comprised of the six major Victorian municipalities along the Murray River which include Gannawarra Shire Council, Shire of Campaspe, Moira Shire, Swan Hill Rural City Council, Mildura Rural City Council and Loddon Shire. The group takes leadership in identifying and addressing issues common throughout the Murray Region and setting the vision for the future.

Given the leadership role of the MRGC in the Murray Darling Basin Region we are pleased to have the opportunity to provide input on this study.

Yours sincerely

A handwritten signature in black ink that reads 'Keith Baillie'.

**KEITH BAILLIE**  
**CHIEF EXECUTIVE OFFICER**  
**SHIRE OF CAMPASPE**  
**(On behalf of the Murray River Group of Councils)**

Enc: Submission to the Productivity Commission - Recovering Water in the Murray Darling Basin

**Murray River Group of Councils**  
**Submission to the Productivity Commission**  
***'Market Mechanisms for Recovering Water in the Murray-Darling Basin'***

The MRGC is comprised of the six major Victorian municipalities along the Murray River which include Gannawarra Shire Council, Shire of Campaspe, Moira Shire, Swan Hill Rural City Council, Mildura Rural City Council and Loddon Shire. The group takes leadership in identifying and addressing issues common throughout the Murray Region and setting the vision for the future.

The Murray River Region is home to some of the most important agricultural and horticultural food producing areas in the country and as such the stability of the economy is dependent upon the security of water to irrigation in these areas. While our communities are working to diversify their economic base through initiatives in new industries like solar, agriculture and horticulture still employ large percentages of our workforce (e.g. agriculture employs 29.6% of the Gannawarra Shire<sup>1</sup>) and contribute substantially to our Gross Regional Product (GRP) (e.g. the Agriculture, Forestry and Fishing industry sector is the largest contributor to the Mildura Region's GRP with a value of \$388 million in 2007-08 and contribution of 17% to the GRP<sup>2</sup>. Agriculture contributes 40% of the Swan Hill Council regions income).

**Triple Bottom Line Approach**

The Water Act focuses on water for the environment with little or no reference to the other two aspects of a triple bottom line approach. The social and economic consequences of water availability and management must be addressed by the Water Act.

In the Terms of Reference for the 'Market Mechanisms for Recovering Water in the Murray-Darling Basin' Study the words "appropriate, effective and efficient" infer inclusion of factors broader than just economic efficiency. Strategic planning for changes in water availability in an area should be included as part of an overall community plan.

A deeper understanding of the broader implications of changes to water must be developed and applied consistently.

**Stakeholder Inclusion**

The "just add water to the environment" approach will not suffice in itself. An integrated catchment management approach must be taken by incorporating all stakeholders in the solutions including the Catchment Management Authorities and Councils.

There must be co-ordination between local government planning schemes (strategic land use planning), infrastructure investments and buyback locations. This inclusion is vital to avoid inconsistencies that result in fragmented land and stranded assets.

**Sustainable Diversion Limits**

It is likely that the Sustainable Diversion Limits (SDL) to be set for each catchment will be well below current levels; a plan to support communities must be developed and implemented in this circumstance.

The relationship between SDL and Buyback is not aligned and will vary by region.

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<sup>1</sup> [www.gannawarra.vic.gov.au](http://www.gannawarra.vic.gov.au)

<sup>2</sup> Mildura Region Economic Profile 2009, Mildura Chamber of Commerce

SDL should not be set by the environmental need alone; all water uses should be considered.

### **Water Products**

Entitlements are the only water "product" currently being considered while there are many other potential "products" that should be explored and included within the study scope.

The structure of water products should be the same across regions to assist comparison.

### **"Willing" Sellers**

"Willing sellers" are often "stressed" and have little choice; they are more likely "unwilling" sellers who are financially caught in the drought crisis and not in a position to negotiate.

Considerations about where water should be obtained from is an intergenerational issue rather than just having a "willing seller" as the current land holder, good planning is about the longer multi-generational outcome.

### **Consistency in Approach**

A targeted buy back approach supports the other strategies of securing efficient irrigation land and systems, buying water from anywhere and anyone is not strategic.

There is an inconsistency between water obtained by different methods;

- Buyback: pay no more than the market per unit
- Infrastructure: prepared to pay much more per unit

Cost comparisons for water gained from buyback and infrastructure upgrades are misleading; at least in part some water from infrastructure is savings so from an holistic perspective this is not a comparison of like items.

It is important to recognise that water is actually to be obtained from a three prong approach;

- Market; Buyback
- Infrastructure; Irrigation system upgrade
- Planning; Basin Plan (and SDL changes)

### **Stranded Assets**

The economic viability of the irrigation scheme, water authorities and remaining farms is a concern for the following reasons;

- As greater areas within irrigation systems are shut down and infrastructure removed under the Australian Government's Exit Strategies, stranded assets are being created for the water authorities, farmers and communities.
- Irrigators at the end of the supply chain are concerned that the transfer of water rights out of the region further up the chain will affect their delivery of supply in the future.
- Land without water has far fewer agricultural options and its agricultural value declines sharply.
- Upgrading an irrigation system and then having water removed is inefficient.

### **Clarification of Issues**

- Clarification of the value or premium that is to be paid in a particular valley is needed where priority environmental assets exist.
- The opportunity cost of environmental water must be considered.
- The target and rationale for the total of water to be obtained is unclear.
- It is unfair for people to make selling decisions when the overall context is unclear, for example the Basin Plan and SDL outcomes.

- The process of delivering the water to environmental sites is not well developed.
- It is unclear as to why the buyback was accelerated before SDL were set.