



**Submission Number: 490**  
**Date Received: 01/02/2011**



**National Farmers' Federation**

**Submission to the**

**House of Representatives**

**Standing Committee on Regional Australia**

**Inquiry**

into

**The Impact of the Murray Darling Basin in**

**Regional Australia**

20 December 2010



**Member Organisations**



# Contents

---

1. Executive Summary.....	4
2. The National Farmers’ Federation.....	5
3. Introduction .....	6
4. What the current work says.....	6
5. Direct and Indirect Impacts.....	11
6. Water Savings Measures .....	12
7. Role of Research.....	14
8. Measures to Increase Water Efficiency and Reduce Consumption.....	15
9. Opportunities for economic growth and diversification of rural communities .....	17
10. Previous Reforms and Structural Adjustment Programs .....	19
11. Conclusion.....	19
NFF Contact.....	19

# 1. Executive Summary

---

The NFF has been a strong advocate in support of water reform in Australia. If done appropriately the development of a new Basin Plan can add to what we have already achieved – unfortunately the Guide as it stands will not deliver in this intent.

NFF believes the Government must show leadership to deliver a robust workable Basin Plan that truly delivers a balanced Plan. This requires early instruction to the MDBA on what the Government expects the final Basin Plan to look like. It will also require a fundamental change to the way in which the Basin Plan is being developed to be inclusive of the Basin's communities and particularly the States. Otherwise, the Commonwealth risks the withdrawal of State support and a Basin Plan that is unworkable.

NFF believes significant infrastructure investment, both on-farm, through irrigation systems and environmental infrastructure, as well as significant investments in R&D so farmers have the tools to adapt is needed. Moreover, if communities are involved in both the identification of water efficiencies and measures to determine their future economic prosperity, they will find the most appropriate solutions.

There must also be an integrated and multi-tiered approach to dealing with the issue of the inequity and cost of doing business and living in regional Australia. This must include social infrastructure (health, education, and population), business infrastructure (transport, telecommunications, energy and water) and the taxation system. The result must include making regional areas attractive to new entrants.

NFF stands ready to work constructively to progress water reform in Australia, but we will not stand by and let a flawed Guide translate into the destruction of our communities and industries, particularly when there are smart, better ways of delivering the outcome.

## 2. The National Farmers' Federation

---

The National Farmers' Federation (NFF) is the peak national body representing farmers and, more broadly, agriculture across Australia. It is one of Australia's foremost and respected lobbying and advocacy organisations.

Since its inception in 1979, the NFF has earned a formidable reputation as a leader in the identification, development and achievement of policy outcomes - championing issues affecting farmers and dedicated to the advancement of agriculture.

The NFF is dedicated to proactively generating greater understanding and better-informed awareness of farming's modern role, contribution and value to the entire community.

One of the keys to the NFF's success has been its commitment to presenting innovative and forward-looking solutions to the issues affecting agriculture, striving to meet current and emerging challenges, and advancing Australia's vital agricultural production base.

The NFF's membership comprises of all Australia's major agricultural commodities. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations collectively form the NFF.

The NFF recently implemented a re-structure of the organisation. The establishment of an associate category has enabled a broader cross section of the agricultural sector to become members of the NFF, including the breadth and the length of the supply chain.

Each of the state farm organisations and commodity councils deal with state-based 'grass roots' issues or commodity specific issues, respectively, while the NFF represents the agreed imperatives of all at the national and international level.

### 3. Introduction

---

The NFF welcomes the opportunity to make a submission to the House of Representatives Standing Committee on Regional Australia Inquiry into the impacts of the Murray-Darling Basin Plan on regional Australia (the “Inquiry”).

The NFF notes that this Inquiry will investigate and report on the socio-economic impact of the Basin Plan on regional communities. The NFF does not have the expertise or resource to provide specific commentary on the socio-economic impacts of the Guide to the Proposed Basin Plan (the “Guide”) on specific communities or industries. NFF understands that a number of studies are underway, commissioned by the Murray-Darling Basin Authority (the “MDBA”), Local Government (or groups of Local Government) and agricultural industries (e.g. cotton and dairy have both delivered studies already). The role of the NFF is to make informed comment on the impact to agriculture more generally.

Moreover, the NFF can provide the Inquiry with its view of the Guide and has considered a way forward that will deliver on environment, economic and social outcomes in a balanced way. Importantly, it will be possible to deliver the outcomes with little disruption to agriculture and communities.

The NFF also draws the Inquiry’s attention to its submission to the MDBA Guide<sup>1</sup> and the Senate Inquiry into the Basin Plan<sup>2</sup>.

### 4. What the current work says

---

The socio-economic impacts in the Guide suggest that the Basin Plan will have little impact to employment or communities over the longer term. It is no wonder then that the Basin communities have reacted quite strongly in opposition to such views.

The NFF attended an ANU technical workshop<sup>3</sup>, which essentially puts data behind anecdotal knowledge on the social and economic status of the Basin. For example, it is easy to understand that the most affected regions include those:

- With little or no alternatives for irrigated agriculture;
- That historically have higher entitlement volumes;
- Are producing perceived lower value crops;
- Cannot trade water; and
- Towns that are highly reliant on irrigation expenditure.

The studies show that the effects appear small at the national or Basin level but can be quite dramatic for particular industries or towns. Moreover, the MDBA quotation of the loss of 800

---

<sup>1</sup> See: <http://www.nff.org.au/read/1880.html>.

<sup>2</sup> See: <http://www.nff.org.au/policy/submissions.html>.

<sup>3</sup> Centre for Water Economics, Environment and Policy at the Australian National University, Socio-economic Effects of Murray-Darling Basin Water Reform Technical Workshop, held at ANU Canberra on 14 December 2010

jobs is over the longer term. ABARES states<sup>4</sup> that the impacts are concentrated and there is uncertainty over the location and timing of impacts, with this dependent on who decides to sell water and when and how the States implement the Sustainable Diversion Limits (the “SDLs”). Missing is specific information on the short and medium term effects.

Ultimately, the effects of the Basin Plan can be divided into two areas – the impact on agriculture, and the impact to the community.

The impact on agriculture can be categorised as:

- The proposed SDLs and a range of policy proposals in the Basin Plan will undoubtedly affect entitlement reliability. The Federal Government has agreed to recover the SDL gap; however, no such undertaking has been made in relation to the multitude of policy related reliability impacts. Irrigators have been given broad undertakings that if they choose not to participate in Government programs their reliability will be unaffected. This can no longer be expected.
- Additional impacts from how State Governments will implement the proposed SDLs and a lack of clarity (with the exception of NSW) on how State Governments will deal with risk assignment as a result.
- The impact of the permanent removal of water from irrigated production on the farm business, and on other farm businesses, e.g. through increased water pricing, particularly in terms of ongoing profitability (or reduced profitability) given that 80% of the net farm profits come from irrigated agriculture.

The impact on the community arises from:

- The impact of reduced irrigated agriculture expenditure in the communities. This is exacerbated as 80% of the net farm profits comes from irrigated agriculture which is 0.5% of the Australian land mass (or 1% of the arable land)<sup>5</sup>; and
- Flow on impacts to the valuation of businesses and homes.

How the Commonwealth Government chooses to deal with these issues will mean different things for different impacts. For example, the Commonwealth has already agreed to recover any SDL gap but this does nothing for the impact from other proposed policies to entitlement reliability.

In terms of the community, a discussion must be undertaken with each affected community to determine how each community wishes to have these impacts addressed, in other words the structural adjustment process and program for communities must be tailored to each community. While this may be resource intensive, it is the best way to address the concerns of each community and to encompass the community’s aspirations about its future. There might also be some innovative solutions.

Moreover, such approaches by the Commonwealth Government must not be a token response, e.g. the NSW Achieving Sustainable Groundwater Entitlements (ASGE) program had a total budget of \$110 M of which \$10 M was allocated by the NSW Government for communities to

---

<sup>4</sup> Ibid

<sup>5</sup> National Land & Water Resources Audit.

purchase aesthetic outcomes, none of which would have assisted to promote the economy of many areas. Therefore, communities may look well kept, but this might do little for the tourism or their economies.

### Gross Value of Irrigated Agricultural Production

The other observation that NFF would like to make relates to media comments that compare 2001 and 2006 water use and the gross value of irrigated agriculture (GVIAP). In particular, it would appear that commentators are justifying their support for the SDLs by stating that reduced water use has not resulted in reduced farm income (measured by GVIAP).

NFF notes that water use in 2006 was significantly less than 2001, mainly due to the drought. However, the 2006 year was likely the best water resource year over the entire drought period with significant reductions in water availability occurring after this date.

However, the comparison of the GVIAP is more contentious and this does not compare “apples with apples”. What needs to be understood is the farm gate price for various agricultural commodities in 2001 compared to 2006 and the drivers that underpin the change. These really have nothing to do with water availability per se but a range of other drivers – including commodity demand and supply on both international and domestic markets, the Australian dollar, seasonality of production and the cost of inputs.

The price received by Australian farmers for agricultural commodities is largely tied to the global trade in those commodities. As Australia exports around two thirds of its production, commodity outlooks are driven by overseas markets and by supply and demand domestically. The reality is while the drought was in full flight, commodity prices were largely high, but farmers were unable to take full advantage of this.

Figure 1, for wheat, shows this comparison. In 2001, wheat prices were just above \$200/tonne while in 2006 prices had appreciated to over \$250/tonne and significantly increased to nearly \$450/tonne in 2007-08. From a global perspective, the price of wheat was also affected by declining world stocks, which reflect imbalances between supply and demand. According to ABARE “*closing stocks exhibit an inverse relationship with price movements, so that periods of higher prices are matched by lower closing stocks*”<sup>6</sup> and vice versa.

---

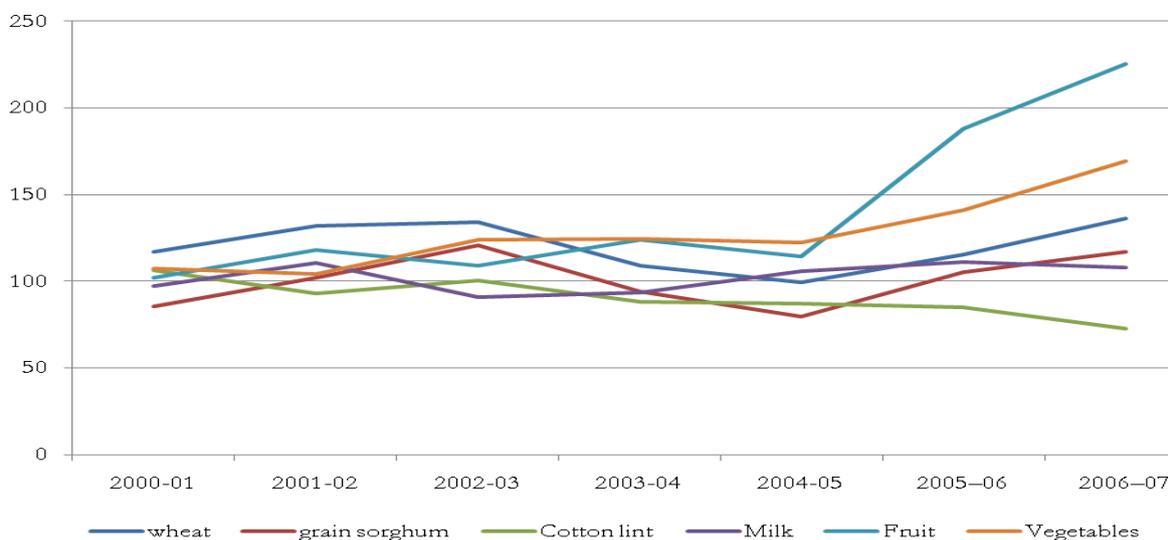
<sup>6</sup> ABARE 2010, *Australian Commodities*, June Quarter 2010, vol 17 no 2, Canberra, p. 293.

**Figure 1 Wheat Prices 1972-73 to 2008-09 (Source: ABARE)**



In terms of other irrigated commodities, world cotton indicator prices were slightly higher in 2001 than 2006<sup>7</sup> and world dairy prices were higher in 2006 than 2001 and significantly appreciated over 2007 and 2008<sup>8</sup>. Figure 2 shows the index of prices received by farmers, indexed to 1997-98. This shows that while prices remained fairly static over the period to 2004-05, most irrigated commodities showed increases over 2005-06 and 2006-07 – the notable exception being cotton lint.

**Figure 2 Indexes of prices received by farmers (Source: ABARE<sup>9</sup>)<sup>10</sup>**



<sup>7</sup> Ibid, p. 317

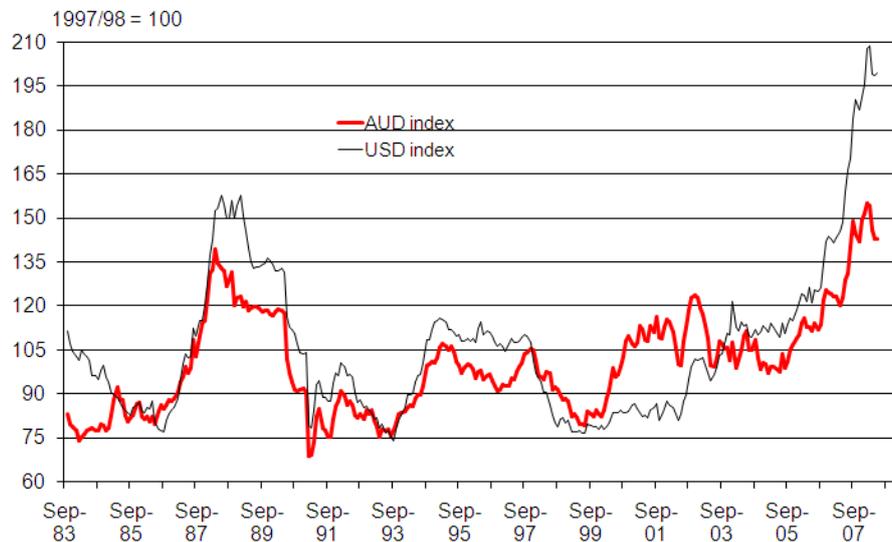
<sup>8</sup> Ibid, p. 339

<sup>9</sup> Australian commodities statistical tables. Available: [http://www.abare.gov.au/interactive/ac\\_dec06/pdf/tables.pdf](http://www.abare.gov.au/interactive/ac_dec06/pdf/tables.pdf), p. 732.

<sup>10</sup> Calculated on the chain weighted index, index year 1997-98 = 100. Index for most commodities based on annual gross unit value of production.

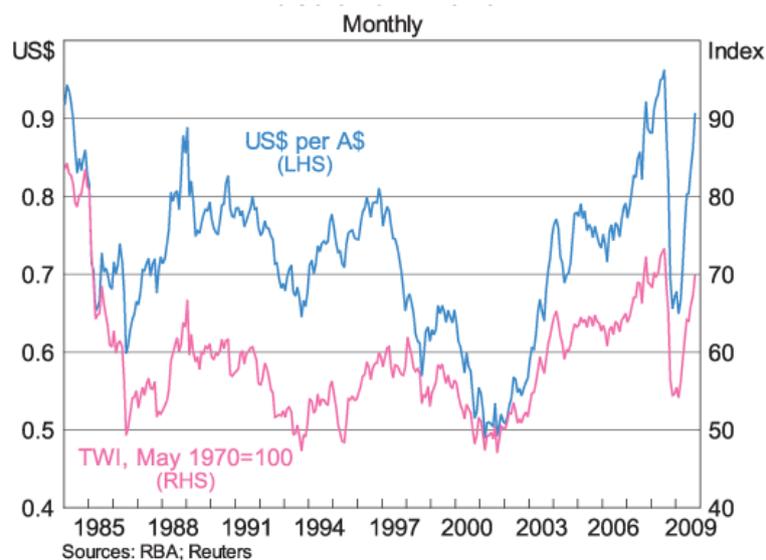
The Westpac-NFF Commodity Index is the weighted average price of Australia's major agricultural exports (Figure 3) and shows that during 2007, the index was the highest since records commenced in 1983 and was 11% above levels the previous year (2006).

**Figure 3 Westpac-NFF Commodity Index (Source: NFF)**



Because around two thirds of Australian farm produce is exported, the Australian dollar also becomes a significant factor. The volatility over the last decade can be seen in Figure 4 with lows of about 50 cents in 2001 and much higher appreciation in 2006 to above 70 cents. The higher the Australian dollar to the US dollar, the less farmers get for their product. Figure 4 also shows the Trade Weighted (TWI) Australian dollar. This shows that in 2001, the Australian dollar sat at around 50 cents while in 2006, the TWI had risen to above 60 cents.

**Figure 4 Australian dollar 1985 – 2009 (Source: Reserve Bank of Australia)**



NFF estimates that every 1% appreciation in the AUD shaves off \$210 million from net farm incomes (this also takes into account that fact that a higher dollar means imported farm input prices decrease). A fall from \$US0.93 to \$US0.82 in raw terms means that this equates to an

additional \$2.5 billion in net farm incomes over the course of a 12 month period – and means a notable increase in commodity prices.

In general, the factors affecting the supply and demand side of agricultural commodities include:

- Supply
  - Weak growth in production relative to demand;
  - Minimal expansion in the areas sown and harvested;
  - Declining growth in global yields;
  - Rapid increases in the prices of the key inputs;
  - Droughts and poor weather in a number of the main food growing and exporting regions;
  - Stocks have been run down; and
  - Impact of government restrictions and subsidies.
  
- Demand
  - Rising global populations which has been increasingly well-fed;
  - Rapid rises in incomes; and
  - Demand for biofuels

The Australian dollar has experienced significant swings in the last 12 months, creating havoc for farm incomes and their ability to compete on the global markets for which they depend. In recent months, the Australian dollar has been extremely strong, even reaching parity with the United States dollar. This has been largely due to the strength of demand for Australian commodities, particularly raw minerals, and the buoyancy of the Australian economy compared with most other countries. However, the Australian dollar experienced a significant depreciation in the early part of 2010, due to factors including:

- The collapse of the Greece economy that unsettled cross border investors;
- The Reserve Bank of Australia (RBA) indicated that interest rates were at “normal” levels thus removing demand for the Australian dollar from the carry trade;
- Uncertainty in the Chinese economy (which has strong links to demand for Australian commodities); and
- Negative discussion regarding the impact of the resource super profits tax.

The key message from the previous discussion is that unless the social and economic studies seek to understand and account for these variations in incomes received by Australian farmers (and its impact on employment), then there will continue to be outcries regarding these studies.

## **5. Direct and Indirect Impacts**

---

NFF suggests that regional communities, peak agricultural industry groups, local businesses, and local government are likely to be the best source of information on the direct and indirect impacts. There are also many consultants and universities with a breadth and depth of knowledge that will assist the Inquiry in this regard.

Other sources of information are likely to come from previous reports, e.g. The 2008 Corish Report<sup>11</sup>, various drought reports by Margaret Alston<sup>12</sup>, various Productivity Commission Reports and the Judith Stubbs & Associates Report<sup>13</sup>. As an example, Margaret Alston has made some interesting social observations on the release of the Guide:

- Significant social challenges from drought and water allocation changes;
- The proposed changes will exacerbate these unless Governments given significant attention to the social impacts;
- There are high levels of bankruptcy, marital conflict, health issues, stress and isolation. Importantly, there are gender differences such as women being concerned for loss of services and the need for off farm work, while men are concerned about lost production, increased social isolation and mental health.
- In terms of Government water policy, communities feel abandoned by Governments, particularly about water policy that prioritises the environment over social.
- Financial pressures result in distressed or forced sellers rather than willing.
- While the Guide is controversial, the community warned of increased hardship because of implementation.
- The report recommends explicit focus on regional and community planning in water policy development and that any community impacts are identified and monitored during implementation.
- The report also recommends equal weighting of environment and social considerations at individual, family, community and regional level.<sup>14</sup>

## 6. Water Savings Measures

---

NFF notes that there is unexplored potential to deliver greater water use efficiency and therefore deliver on both agriculture and environmental outcomes.

In terms of agriculture, there will be a range of projects at delivery system (for river and channel based) as well as on farm. The range of projects is likely to cover distributional efficiency (how the system is operated), infrastructure (pipes and sealing leaks) through to agronomic (crops requiring less water).

---

<sup>11</sup> Agriculture and Food Policy Reference Group 2006, *Creating Our Future: Agriculture and Food Policy for the Next Generation*, Report to the Minister for Agriculture, Fisheries and Forestry, Canberra, February.

<sup>12</sup> For example, see Alston, M., Whittenbury, K., & Haynes, A., *The social impacts of declining water availability and ongoing drought in the Murray-Darling Basin*, Gender, Leadership and Social Sustainability (GLASS) Research Unit, Monash University.

<sup>13</sup> Judith Stubbs & Associates 2010, *Exploring the Relationship Between Community Resilience & Irrigated Agriculture in the MDB: Social and Economic Impacts of Reduced Irrigation Water*, Cotton Catchment Communities CRC, Narrabri.

<sup>14</sup> Science Alert 2010, *Droughts Risk Bankruptcy*, 18 October 2010. Available online: <http://www.sciencealert.com.au/news/20101810-21448.html>.

The question here is the cost effectiveness of the works given the water saved. Even the Commonwealth has put some boundaries on this issue. As an example, some have sought that all earthen channels are lined and/or piped to ensure the most efficient use of water. While this might be true, the cost of doing so is prohibitive.

In 2001, Murray Irrigation undertook a LWRRDC study into water inefficiencies and the cost of resolving these (see Table 1). The most interesting aspect was an assessment of the system losses that showed that water management was the cause of the biggest loss of water, not true losses. Importantly, an assessment of the feasibility must include commercial incentive (assessed against the cost of water and the affordability of increased water charges) and be technically and operationally feasible.

**Table 1 Murray Irrigation System Efficiencies (Source: Murray Irrigation)**

<b>Loss Type</b>	<b>True Loss</b>	<b>Est. Volume (GL)</b>	<b>%<sup>15</sup></b>	<b>Works and est. Cost</b>
Evaporation	Yes	39.2	2.51%	Piped; not feasible (cover channels would save 18 GL; cost unknown)
Seepage	Yes	15.6	1.0%	Piped not feasible (sealing seepages would save 7 GL <sup>16</sup> )
Escapes <sup>17</sup>	No	60	4.65%	Capital \$74.15 M Annual operating \$1.85M
Dethridge Wheels	No	103.6	8%	Replacement of wheels
Channel filling <sup>18</sup>		20	1.3%	Piping not feasible

Further research and development is needed, particularly for agronomic efficiencies. NFF notes that a Water Use in Agriculture cross-sectoral R, D & E strategy is currently being drafted under PISC but will then need implementing (and funding). On the downside, the closure of Land & Water Australia and the CRC for Irrigation Futures will not assist providing the R, D & E. Moreover, the National Program for Sustainable Irrigation has only six months funding left. All this does not auger well when trying to undertake practices that are more efficient.

In terms of projects, NFF suggests that the appropriate organisations to do this are:

- State owned water delivery businesses;
- Private Irrigation Infrastructure operators;
- Individual farmers or groups of farmers;
- NRM regional organisation such as CMAs;
- State water agencies; and

<sup>15</sup> The percentages are of total diversions. The average delivery system loss component is 17%.

<sup>16</sup> Murray Irrigation has undertaken a program of sealing with plastic particularly areas where the seepage was significant and it would be cost effective.

<sup>17</sup> Escape water is water lost from the end of the delivery system to downstream uses. This primarily arises from ordered water not being taken at the farm and in some cases inaccurate off take diversions. Is minimised by installation of automated gates.

<sup>18</sup> Estimated filling 40 GL less end of season take 20 GL = net loss 20 GL.

- MDBA.

In terms of environmental efficiency, there is now some agreement to move forward and investigate options. NFF believes that significant gains can be made that will reduce the water required for the environment (as opposed to just allocating the savings against SDL gaps). The areas include river operations, environmental works and measures and policy changes such as improved carry over for the environment (but the latter must be with no impacts on other entitlement holders).

As examples, the Victorian Government are looking at a range of works and measures to get water into off river wetlands using works such as regulators and pumps. The wetlands include Lindsay Island, Gunbower Forest and Hattah Lakes that could deliver savings of over 800 GL. Moreover, the MDBA has been silent on the savings that could be achieved from the Living Murray Environmental Works and Measures Program. NFF has analysed just one of these projects for Chowilla, which shows savings in the order of around 190 GL.

Likely organisations that could investigate these will be similar to the above list, with perhaps the addition of State environmental agencies.

All the above should be afforded the ability to make full and thorough investigations. Any viable prospective projects should be incorporated when making decisions on the environment's water requirements, i.e. not to merely close the gap.

#### Actual Usage and Entitlement over 15 years

The NFF is perplexed by the inclusion of this in the terms of reference. It appears to be ad hoc and bears no relation to the options that may be considered for water savings or the return of water on a region-by-region basis.

Any irrigator looking at this specific part of the terms of reference will view this as a potential threat to their entitlement, particularly those irrigators who have conservatively used their entitlements.

The NFF rejects any consideration of water savings options based on actual usage to entitlement.

NFF would welcome any clarification of this by the Committee.

## **7. Role of Research**

---

Farmers have always embraced innovation. Science-based solutions to nutrient deficiencies in soils, plant and animal breeding for Australian conditions, and emerging areas of biotechnology are here-and-now realities.

However, much of this research has been funded in partnership between agricultural industries and the Federal Government through the Rural Research and Development Corporations (RDCs). Australian farmers remain committed to this essential partnership.

Adopting a scattergun approach to research and development is not an option. In addition to cuts, agriculture has seen an increasingly fragmented approach to funding research and development by different agencies. A strategic approach is required to research investment in

water. The approach needs to align new investments in research and development with existing investment frameworks, such as the National Primary Industries Research, Development and Extension Framework, in order to make best use of scarce research funding; to ensure it is complementary and builds on existing research; and that research outcomes are communicated to industries in a consistent way.

Moreover, this must include those areas of interest to the Inquiry, i.e. developing and delivering water efficient infrastructure and technologies. At present, the research and development is disparate – commodity specific via commodity specific Research and Development Corporations (RDCs) and cross sector through the Primary Industries Steering Committee R, D & E Water Use in Agriculture framework. Moreover, the end of Land & Water Australia and the CRC for Irrigation Futures, and the end of funding for National Program for Sustainable Irrigation due in June 2011 does not bode well for the future of water efficiencies.

Government cuts to research investment must stop. However, more than that, a commitment to a broader strategy to support long-term productivity gains in agricultural sectors is now vital. The link between expenditure on research and development and productivity growth is well established; along with the productivity benefits that flow from improving the adoption of knowledge and new technologies by industries<sup>19</sup>.

Research is not ‘just another line item’ in the budget, it represents the future. Evidence and experience shows that it takes 30 to 40 years to bring embryonic research ideas to a point where 95% of the country has adopted the research<sup>20</sup>.

Despite the worst drought on record, Australia’s farm exports earned the country \$31 billion in 2008, which represents 15% of all Australian merchandise exports.

Eroding funding for agricultural research and development reduces Australia’s capability to contribute to global food production, reduces Australia’s national science capacity and exacerbates the global food security problems of tomorrow.

Agricultural research and development is a sound investment. It has been demonstrated to deliver returns – at a rate of \$11 to every \$1 invested – and is a prudent and appropriate strategy for driving growth in the Australian economy.

Anything less is shortsighted and, ultimately, self-defeating in terms of Australia’s national interest.

## **8. Measures to Increase Water Efficiency and Reduce Consumption**

---

There are three broad areas where water efficiency can be improved: on farm, within the gravity fed delivery system and within the riverine environment.

### Agriculture

---

<sup>19</sup> ABARE 2009, *Raising productivity growth in Australian agriculture*, ABARE Issues Insights 09.7, November 2009

<sup>20</sup> Wednesday 29 September 2009, House of Representatives Standing Committee on Primary Industries and Resources hearing into assisting Australian farmers to adapt to climate change, evidence given by CRC Future Farming Dr Kevin Goss and Mr Mick Poole, citing the example that it took 30 to 40 years to bring no-till farming systems from an embryonic idea to a point where 95 percent of the country is using those techniques.

The Water for the Future program is aimed at the first two of these and primarily targets the largest water user – agriculture. Private Irrigation Infrastructure Operators have undergone modernisation plans and have or are applying for funding under the Private Irrigation Infrastructure Operator (PIIO) program. However, many of these plans are not public so the degree to which water efficiencies can be achieved are an unknown component.

However, there are some good examples, such as the Victorian Food Bowl, that show the extent of what can be achieved.

In terms of on farm, this is a largely untapped potential. However, from these are much smaller amounts of water, which increases the transactional costs of such programs.

In the end, a judgement call has to be made on the cost effectiveness of individual projects, which will see projects rejected purely because the cost of doing so outweighs the benefits.

However, importantly, the roll out of such programs has to be done in a way that is commercial and timely. It is fine to have a program that achieves the Government's objectives. However, if it takes over a year to agree to contracts or business cases then this is just not good business. It is not good for individuals, organisations and Governments. The NFF notes that such problems are ongoing – whether it is for delivery system or on farm, private, public or Government. In the meantime, farmers are wearing the consequences of exceptional long roll out timeframes or Governments blaming the other.

There is a better way. Water for Rivers is a company set up to implement the Snowy Inquiry recommendations, and specifically to recover water for the Snowy River. This company has done so in a commercially focussed way, is achieving its water recovery targets, and is doing business within the community and operates “under the radar”.

### Riverine Environment

Within the riverine environment, water efficiencies can be targeted to delivery (transmission losses), more efficient watering of off river environmental assets, and river operations (the way the river is run).

NFF suggests that those operating each river system (normally Government agencies and the MDBA for the Murray River to the South Australian border) be required to undertake a full analysis of the rivers they control. Such an analysis must consider the savings that can be made to reduce transmission losses, the changes in river operations that can deliver environmental outcomes without the need for additional water, and the ways environmental works and measures can be used to water off river assets in the most efficient ways.

Moreover, the MDBA must be required to assess water savings for the Living Murray Environmental Works and Measures program to ensure that this can be considered in setting the environment's water requirements under the Basin Plan.

As an added step, local communities must be consulted and their advice gained on all of the above. Some of the ingenuity of individuals and groups (e.g. advisory committees to various Government agencies and Infrastructure Operators) may deliver viable projects for consideration.

The NFF also challenges the science community to participate and come up with possible solutions in lieu of the call for a return of 7600 GL/year. A good example of this was the study

commissioned by Water for Rivers and undertaken by CSIRO, which shows that replacing willows with native trees will save water. This ingenuity is sorely needed going forward if the Basin Plan is deliver a balanced outcome for communities, agriculture and the environment.

## **9. Opportunities for economic growth and diversification of rural communities**

---

The reality is that opportunities for economic growth and diversification within regional communities currently dependent upon irrigation will be limited for many of these communities.

Currently, on many gauges our regions do not offer an attractive alternative for Australians to live and work, thus limiting alternative options to those farmers and communities currently dependent upon irrigation. The majority of this stems from the fact that the cost of doing business and living in rural and regional Australia is high.

Research commissioned by the Australian Farm Institute and carried out by the National Institute of Industry and Economic Research (NIER) compares the costs of essential services between metropolitan, urban and rural residents. The research showed that:

- On average, it costs rural residents five times as much to access essential services as it does metropolitan residents;
- The biggest access cost disadvantages faced by rural residents are for hospitals, residential care services, secondary schools, TAFE colleges and universities;
- Over recent decades, people living in rural communities have found it increasingly difficult to secure or retain access to essential services, because of Australia's unique demographics, which UN statistics identify as one of the most urbanised nations on earth; and
- Providing equitable access to essential services for regional Australians will become increasingly important in the future as projected population growth will make major cities congested and inefficient, and greater efforts will be required to make living in regional areas a more attractive option.

The possible future introduction of a carbon price on transport fuel will further increase the cost of living for regional populations who have less access to public transport and are required to travel greater distances. In addition, existing State and Federal policies have exacerbated the cost differential between those living and working in regional Australia compared with those in metropolitan Australia. These include policies such as progressive income taxation and exemption of the family home from capital gains tax.

The NFF therefore argues that in order for genuine alternatives to become available for irrigation communities affected by the current MDBA planning process, the Australian Government firstly needs to acknowledge that an inequity in the cost of essential services does indeed exist. Once this acknowledgement of the clear realities of the problem occurs the NFF believes that a plan must be outlined that addresses and corrects the inequities of doing business and living in regional Australia.

Australia needs effective and efficient regional infrastructure, where the development plans mesh – not a set of separate, disparate reports. The requirement of the Government is more than money, and much more than the typical ad hoc spending on an electorate-by-electorate basis. A National Infrastructure Strategy, with a clearly defined regional component, is essential and demands a commitment to a long-term plan. Infrastructure Australia was developed to deliver a key part of this integrated approach and NFF applauded its initiation. However, NFF has been disappointed that more has not been done. The NFF therefore believes that now is the time for the Federal Government to outline its integrated plan for ensuring that Australia's regions will be a viable option for Australians to live and work into the future, thus opening alternative economic opportunities for affected irrigators.

The NFF believes that this plan must take a multi-tiered approach to dealing with the issue that includes:

- Improving access to social infrastructure such as education and health services;
- Improving business infrastructure in the areas of freight transport, telecommunications, energy and water; and
- Improving efforts by governments to compensate rural residents for the lack of service access.

The NFF believes that reliable provision of social and business infrastructure are all community service obligations (CSO), or basic essential service that government is expected to deliver. It is vital the Australian Government clearly acknowledge this CSO in determining its infrastructure spend agenda.

The use of the taxation system as an effective tool to addressing the issue should not be ignored, and should take a more prominent role in driving behavioural change such as that relating to regional development. The NFF notes that the Australian Government currently has a regional tax rebate scheme for individuals but this is now ineffective in delivering on the desired policy intent. The Government must determine what it sees as being the future of this scheme and the appropriateness of its design and scope in delivering on its future development goals.

For some time, the NFF has advocated for a review of the existing tax zone mechanism and this proposal has been rejected outright by successive Governments despite the potential benefits to national welfare in doing so. These benefits include:

- Stemming the drain of people from inland Australia.
- Creating a net movement of city people to the country and an increasing the share of overseas migrants choosing to settle in country Australia in the first instance.
- Redressing existing policy distortions and inequities.
- Cashing-in piecemeal and relatively selective programs.

Whatever the reason for the previous rejection of the NFF's proposal to review the tax zone rebate scheme, Government must now acknowledge that the problem exists and that taxation in whatever form, can play a role in the solution. Until this occurs, opportunities for economic growth and diversification within regional communities will continue to be extremely limited.

## **10. Previous Reforms and Structural Adjustment Programs**

---

Governments, both Commonwealth and State, have responded in the past with a range of measures designed to alleviate the most acute difficulties faced by regional Australians, who contribute two thirds of Australia's export earnings.

Unfortunately, this piecemeal approach to dealing with the areas of business and social infrastructure runs the risk of missing important underlying causes of problems, raising expectations unduly, and ultimately proving ineffective. There is little demonstration of the future plan for correcting the current imbalances in costs.

Our natural wealth in the form of resources and agriculture underpins the Australian economy and cannot be ignored in this way.

## **11. Conclusion**

---

The NFF supports the Inquiry's terms of reference to look at the social and economic impacts of the proposed Basin Plan on the Basin's communities. Moreover, NFF supports the view that regional communities are best placed to identify practical and logical ways to deliver a balanced Basin Plan that equally considers environment, social and economic. Early advice by the Government to the MDBA on how it expects this to be delivered is an important step.

However, more generally, NFF supports an approach to the Basin Plan that looks towards investment in on and off farm delivery systems, environmental works and measures and river operations.

Moreover, the Government has a responsibility to look at and resolve the barriers to working and living in regional areas, including social infrastructure, business infrastructure and the taxation system.

NFF supports the water reform efforts but this support is predicated on the delivery of a balanced approach that considers the communities views on this future. NFF will not support destruction of rural communities and agriculture when there are smarter ways of delivering the outcome.

## **NFF Contact**

---

Deborah Kerr  
NRM Manager