

The Chairman,  
Parliamentary Enquiry,  
Murray Darling Basin Plan Guide,  
House of Representatives Standing Committee on Regional Australia  
PO BOX 6021  
Parliament House  
Canberra 2600.

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Secretary: .....	3

Dear Sir,

I am a Broken River irrigator, part of the Goulburn Broken Catchment and Irrigation system. I have licences of 657 ML of high reliability water and 138 ML of low reliability water which would represent about 5% of the Broken system today.

I wish to vigorously object to the Plan Guide that would reduce the irrigation entitlement of the Broken system from 14 GL to around 8 GL which would make the system grossly uneconomical. There has obviously been no consideration to the past and recent history of the system, which needs to be explained.

I purchased the two properties and irrigation licences in 1997-8 on the basis of the well known security of supply of the system which typically gave 100% of licence and an additional 70% of sales water purchased at the licence rate. In addition to the 657 ML licence, this made available another 460 ML if required.

Then in 1999 the government of Victoria announced that they would separate the licence into a High reliability right of 657 ML and a Medium reliability right that would vary depending on storage availability and both would be tradable.

However, in 2002, the Victorian Government announced it was planning to close the main storage of the Broken River system at Lake Mokoan to save up to 44 GL per annum of water for the environment. It was finally realized after many years of argument that there was no way irrigators would have any chance of receiving the same volumes and reliability that had been promised by the government. As a result, the government bought back about 10 GL of HR licences out of around 24 GL of total licences on the system reducing the current licences to around 14 GL.

In addition to that change, and as part of the unbundling of water rights from land titles in 2007, all irrigators were required to assist in providing more environmental water by reducing their entitlements to water by exchanging their Medium Reliability right (sales

water) for a Low reliability right which was only 21% of the licenced High Reliability right. In my case, the ability to buy 460 ML of water was replaced with a right to use 138 ML if water was available in storage.

So the Victorian government has now put the whole Broken system in jeopardy with addition threats that the charges to the remaining irrigators are likely to increase by a factor of four let alone have very difficult operating parameters of supply. Now we have the issue of the Murray Darling Basin Plan Guide recommending a further reduction of 6GL out of a system now standing at 14 GL but untried and unproven .

So we can now total up what the Broken River irrigators have had to give up from the system.

1. Up to 44 GL per annum ex Lake Mokoan.
2. 10 GL in buy backs.
3. Reduction of Sales Water to Low Reliability Water 12.5 GL
4. And now another 6 GL in the Basin Plan.

This is all so ridiculous that a small system give up this proportion of its entitlement when there are much bigger systems where 6 GL would almost be insignificant.

While this submission has the focus on the plight of the Broken River system, it is obvious that there is little heed paid to the economic and social effects of the plan recommendations across the whole Basin. I have attached a report put together as part of the case against the closure of Lake Mokoan on behalf of the Irrigators looking at the Economic effects on the Broken River Basin and the likely lost Economic opportunity of not developing new activities close to the source of water rather than sponsoring developments thousands of kilometers from the original Water source and Storages.

It should be mandatory for studies to detail the Economic and Social Effects of the Basin Plan and to detail how much Environmental water is required, how is it to be used, and what benefits will accrue from it.

Yours Faithfully,

Peter Langley.

15/2/11

# ECONOMIC DEVELOPMENT IN THE BROKEN RIVER BASIN

## 1. Current Economic Activity

The Broken River Basin is essentially incorporated into the Local Government areas of the Rural City of Benalla and the eastern portion of the City of Greater Shepparton with some interfacing with the Shires of Wangaratta and Strathbogie. As official statistics are by local government areas and the results of the Agricultural and Population Censuses conducted in 2006 are not yet available, data is based on some historic information and previous attempts to project economic activity. The purpose of any data stated is meant to be an order of magnitude and directional in nature.

We have estimated that the Gross Domestic Product (GDP) for the Basin area to be around \$720 Million currently that encompasses Agriculture, Manufacturing, Construction, Retail, Services and Tourism. A key element in the development of the area has been the river and creek systems and their environments that have been fed by generally high and reliable rainfall and the collection of water for seasonal use whether for agricultural, industrial or domestic purposes. This has resulted in a viable and diverse agricultural sector supported by a reliable Irrigation System, Industrial activity supplied by Forestry raw materials and other Industrial activities attracted to the benefits of the area including water supply, Recreational and Lifestyle activities relating to the River and Lake Systems (Mokoan and Nillacootie) and the Service sectors that have grown to support the economic drivers of the area.

The following table provides a current estimate of Economic Value of the various segments of the Broken River Basin economy.

Broken River Basin Economic Value by Segment ( \$ Millions)

Manufacturing	\$ 216
Agriculture	72
Tourism	14
Retail	87
Construction	43
Services	288
Total	\$ 720

Of the \$72 million Agricultural activity, it is estimated that the Irrigated Agriculture segment provides \$40.5 Million of this activity made up of the following industries.

## Broken River Basin Irrigated Agriculture by Industry (\$ Millions)

Viticulture	\$ 19
Fruit	10
Dairy	6
Other Livestock	3
Lucerne	1.5
Other Crops	1
Total	\$ 40.5

As the Manufacturing and Agricultural industries provide the fundamental drivers of the economic activity, a reduction in their activity has a major impact on the rest of the economy which relies on the existence and activity levels of those industries. On a conservative basis, a reduction of \$40.5 Million of Agricultural activity will result in a reduction of total economic activity of \$ 104 Million. This is the current risk to the local economy let alone the loss in economic potential available for an Irrigation industry in the future as will be discussed later

## 2. Economic Drivers

The following factors are important drivers for the economic sectors.

### (a) Agriculture

-Rainfall has generally been high and reliable and sufficient to develop a viable irrigation industry for the Broken Basin and supply surplus water to the Goulburn and Murray systems.

-Land topography ranges from hill areas in the upper reaches of the basin to extensive flat areas ideal for the operation of irrigation.

-Soils are generally rich for a wide range of agricultural activities as evidenced by today's outputs which include fruit growing, viticulture, olives, forestry, pastures for livestock fattening, Lucerne, dairying, equine activities and seed production..

### (b) Industrial

-The Benalla area is highly attractive to industrial businesses as there is a large amount of existing flat industrial zoned land and potentially large additional land that could be zoned in that category.

-Energy supplies of electricity and natural gas are readily available plus the climate is attractive to the additional support of solar energy.

-Water supply has been available but future development will likely require additional supplies and the integration of sources of supply for domestic, industrial and agricultural uses would be required.

-Sewerage and waste disposal services are capable and will be expanding to suit the economic development.

#### (c) Infrastructure and Services

-Benalla is an ideally located Transport centre for the Basin area being adjacent to the Hume freeway joining the country's major cities of Sydney and Melbourne, on the major Rail link between those cities, has the Midland highway passing through with links to the tourist areas around Mansfield and the major regional cities of Shepparton, Bendigo, Ballarat and Geelong, and easy access to the inland highway route to South East Queensland In a Globally shrinking world, these transport links to the Port of Melbourne for importing and exporting are highly advantageous. In addition, the location of the Benalla airport could a developing benefit.

-Benalla has a highly developed social infrastructure with good housing, schools, hospital, retirement and aged care facilities, retail stores and recreational facilities

-Supporting the agricultural, industrial and social sectors, there is a pool of additional support services of trades , engineering, construction and Government services( DSE, Catchment Management, Community Health etc.)

#### (d) Labour Supply

The area supports a labour pool of around 6500 across all industry segments and is generally regarded as a skilled and flexible workforce covering a wide range of professions, trades and semi-skilled activities. Expanding opportunities across all economic segments has seen a growth in demand for labour and a growing demand for housing and associated services.

1. The Warby Range Irrigation Development was a study for the NRE by consultants Sinclair Knight Merz that identified a potential two stage project of 1700 hectares and 1170 hectares requiring 7400 ML and 6000 ML of water respectively. These areas of excellent soil types were ideal for viticulture and stone fruits with Lucerne as an additional high value feed supplement. The water from the project could be supplied from Lake Mokoan. There is currently an active viticulture and stone fruit industry in the area at risk with water supply if Mokoan is closed.
2. The Dookie Region Irrigation Study was a study for the DPI by the consultants URS which identified an area of 3000 hectares requiring 6000 ML of water. However, based on the survey of the likely use of the land for the various agricultural products, the water usage requirement is closer to 13,560 ML of water, consistent with the parameters used in the Warby Range Study. This area is also contains excellent soil types and would be ideal for grapes, olives, nuts, fruit and lucerne. This development can also be serviced from the Broken River.

(c) Intensive Livestock Potentials

1. There is a growing need for the decentralization of the Poultry industry away from the concentration on the fringes of Melbourne for environmental and Urban expansion needs. The relocation to areas with buffer space availability, good water supply, close to feed and grain supplies and with a very transport system will occur and the Broken River basin is one such area of attraction. One development has already started.
2. There has been a greater demand for lamb, pig and beef producers to produce a product that is more consistent in type and quality. This is resulting in the need for Lot Feeding to meet the standards of the Supermarkets and Export Markets. This requires good access to quality feeds and good water supply available in irrigation areas.
3. The demands of the horse industry for sources of quality feed and farming space for the development of breeding, agistment and preparation areas are generally not well recognized. This is an \$8 Billion industry in Australia and growing in both the racing and recreational demands. Similar to the Poultry industry where much of the horse activities were close to the capital cities , there is significant geographic diversification occurring with the

North Eastern parts of Victoria a major beneficiary. Many of these properties now have access to irrigation areas for feed supply and consistent water supply sourced directly from the property and/or from independent and contracted suppliers.

(d) Industrial

As has been taking place in recent years, there are still expansion opportunities available to the existing major employers in the area such as ADI (Thales), Hendersons, Hudson, Schneider, etc. provided that a closure of Lake Mokoan does not destroy the confidence of the community and the businesses. The ability to expand with the safeguards of water supply and a labour pool are important to these organizations.

Since the split of the former Delatite Shire, the Rural City of Benalla has not been visibly active in trying to attract new businesses to the area but this can change with the appointment of a new resource to promote development. A closure of Lake Mokoan and the associated uncertainties is not an ideal development environment.

(e) Lifestyle, Recreation and Tourism

The future opportunities in this area are significant but would sadly be undermined if a facility like Lake Mokoan disappeared. To have a water feature such as this helps in providing some of the ambience of the area as an attraction to new residents and tourists.

(f) Financial Review

What is very important with the potential developments is that they are close to the source of where the water is being harvested and stored and not being transported hundreds of kilometers to remote locations with the associated losses of volume and quality. In addition, the output is closer to viable transport links and major markets both domestically and overseas.

Taking the 30year perspective for future development, the potential for the Agricultural Development for the Broken River Basin is as follows

1. Expansion of the Existing Agricultural Business Profile

It is generally accepted that the value of agriculture can expand at around 4% per annum, so over the 30year future phase the value of this area would be expected to grow from the current estimate of \$72

Million to \$243 Million. This would come from logical expansion of existing enterprises, the shift to higher valued products using existing resources and the move into new products and new markets, as has been happening over the last 30 years.

This means that there will be an increase in the use of water in the Broken River Basin that even at a growth of 1% per annum would require an increase of irrigation water of around 6,000-8,000 ML per year, which with Lake Mokoan on stream would be no problem.

## 2. Warby Range and Dookie Development Potentials

An attached table details the assumptions made for the development of these areas which has the potential to increase the demand for irrigation water by a combined 26,500 ML per annum and the Economic Value of the output of these developments would be \$143 Million.

## 3. Total Potential

The following Table summarizes the Value of the Future Developments as indicated above breaking the time periods into 10 year blocks with the existing business profile growing consistently at 4% per annum with the new developments being staged at 20% of potential at year 10, 50% at year 20 and 100% at year 30.

Value of Potential Growth – Broken River Basin \$ Million				
Segment	Year 0	Year10	Year20	Year30
Existing Profile	72	108	162	243
Warby Range	0	16	40	81
Dookie	0	12	31	62
Total	72	136	243	386

Without the retention of Lake Mokoan in some significant form to supply an additional 25,000-35,000 ML of irrigation water, there will not be the opportunity to develop these potentials close to the source water and closer to the domestic and export markets. Surely this sound economic rationalization.