

SUBMISSION TO THE SELECT COMMITTEE ON THE MULTI-JURISDICTIONAL MANAGEMENT AND EXECUTION OF THE MURRAY-DARLING BASIN PLAN

Prof Lin Crase

Thank you for the opportunity to comment on some aspects of the management and execution of the MDB Plan. I am aware that others have provided advice to the committee on weaknesses in state planning, compliance and water measurement. These issues warrant serious consideration by the committee and require urgent repair.

In addition, I urge the committee to reflect on the behavior of the Commonwealth throughout this episode and avoid the temptation to assign all failings with the Basin Plan to the states.

Treating public money frivolously

The committee would be aware that the Basin Plan is backed by non-trivial Commonwealth public monies to achieve water recovery. In the initial development of the Plan, \$10 billion was put forward by the then Liberal government only to have this bid upwards to \$13 billion by the subsequent Labor government. Had this money been used efficiently, the extant water recovery targets (albeit they are now watered down) would have been easily met. Moreover, the monies wasted could now assist other ailing components of the nation.

The Commonwealth received repeated advice from numerous sources noting that the most cost effective mechanism for achieving water recovery was buy back. Research was also provided to show that this led to preferred outcomes for most communities, regardless of the arguments prosecuted by lobbyists.

Nonetheless, agencies within government allowed themselves to be captured by spurious arguments about water-use efficiency which was already known to be “fool’s gold”. Politicians on both sides have been unwilling to engage on this topic, apparently reluctant to deal with the rudiments of hydrology. At a basin scale this approach ignores the physics of water and, not surprisingly, dissent has now emerged over where the water (and money) has gone. The Commonwealth needs to take responsibility for the taxpayers’ money it has deliberately over-spent and how this has fueled an errant view of water recovery.

Opting for politics over science

The science of the MDB is necessarily incomplete, but there's ample peer-reviewed scientific evidence to make informed decisions. Water measurement has also progressed and affordable, advanced technologies are available to remotely monitor extractions. The fact that these technologies are not deployed is testament to the strength of the politics involved.

The Commonwealth might contend that this is a matter for the states, but the Federal government has selected and funded projects in those jurisdictions where monitoring and measurement are second-rate (at best). By opting to fund such projects the Commonwealth has promoted a culture where monitoring and scientific evidence are downgraded in favor of political agendas. This has exacerbated efforts to gain an accurate assessment of the water that has been actually recovered.

Ignoring fiscal governance

It was pleasing to note the Commonwealth's overwhelmingly positive response to the recommendations stemming from the Productivity Commission's (PC) inquiry into the NWI. More specifically, the Commonwealth 'agreed in-principle' to the PC's recommendation that water infrastructure projects should be economically and ecologically sustainable before attracting public support.

Nonetheless, in reviewing national water infrastructure projects since 2014 the PC found numerous instances where a benefit cost analysis was not publicly available. The PC noted that "the lack of transparency regarding the underlying assessment of costs and benefits is unacceptable and does not meet the intent of the NWI (or good governance process more generally)" (PC 2017, p. 266).

Whilst the PC's comments relate to a broad suite of water projects, including some outside the MDB, the same cavalier approach to supporting Sustainable Diversion Limit Adjustment Mechanism (SDLAM) projects is evident. SDLAM projects are designed to produce an ecological outcome at a specific location. The science of then converting this to a quantum of water at a basin or sub-basin scale is problematic, or simply intellectually dishonest. This also stands at odds with the ambition of producing system-wide improvements under the MDB Plan, which can only be realized with fungible water delivered at scale. If SDLAM projects were examined at a scale that considered the system-wide benefits and costs, many would likely produce negative net benefits, again highlighting the lack of prudence in allocating public monies as part of the Basin Plan. No amount of improvement in cross-jurisdictional cooperation can offset the impacts of poor fiscal governance.

Failing to understand the linkages between policy

The supporting documentation that attends the processes of select committee notes that drought is a major concern in many parts of the basin. The Federal government has responded most recently by releasing its drought manifesto in the form of the "Australian Government Drought Response, Resilience and Preparedness Plan". This latest Plan clearly intersects with various water-related initiatives, like the recommitment to the NWI and the MDB Plan. Regrettably, those intersections have not been well-managed generating confusion across rural and regional communities and again leaving gaps that encourage perverse behaviors.

Notably, the Drought Plan includes a commitment to provide subsidized water allocations to upstream farmers in the MDB on the proviso that the subsidized water is used to produce fodder. The initial

tranche of 800 allocations has been assigned, regardless of the ability of recipients to on-sell other allocations they might hold at a much higher rate. Clearly, this is also at odds with almost every principle endorsed by the Commonwealth in the NWI review. The Department of Agriculture has indicated that it “may conduct a range of compliance and enforcement activities” as part of the water-for-fodder program but to my knowledge these have not been determined. Moreover, the only mooted sanctions for non-compliance is the risk of being excluded from subsequent tranches of the program. This type of hasty over-reach by the Commonwealth generates further rent-seeking opportunities, whilst causing disruption to water markets and agricultural output markets.

A coherent, trusted approach to the affairs of Basin communities is sadly missing. The Basin Plan has thus become part of a range of poorly administered policy instruments created without adequate consideration of how rural and regional communities function, let alone how diverse and connected riverine ecosystems operate.