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Thursday, 2 November 2023

Stephen Palethorpe
Environment and Communications Legislation Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600
AUSTRALIA

By email: ec.sen@aph.gov.au

Dear Stephen,

RE: Balonne Shire Council Response to Questions on Notice – Public Hearing – Inquiry into Water Amendment (Restoring Our Rivers) Bill 2023

Thank you for the opportunity to attend the public hearing and to respond to questions on notice.

We have reviewed the joint submission from Professors Wheeler, Grafton, Quiggin and Connor (submission 13), as well as the Department of Agriculture, Fisheries and Forestry (DAFF) submission (submission 30) and respectfully acknowledge their research and experience in this field.

The questions taken on notice refer to four claims, which we wholeheartedly refute, made in submissions 13 and 30, detailed as follows:

1. Assessing the impact of water recovery is difficult to determine with precision (submission 30).
2. Population decline in smaller communities in outer regional and remote Basin communities can be attributed to general trends in population shifts (submission 13).
3. Voluntary buybacks are the most cost-effective form of water recovery (submission 13).
4. A widespread belief that water recovery has decimated local communities is exaggerated and not supported by creditable economic studies (submission 13).

We contest these claims and, as evidence, cite two pieces of work commissioned and published by the Murray-Darling Basin Authority (MDBA) and the Australian Government respectively:

- The MDBA Northern Basin Review: Technical Overview of the Socioeconomic Analysis (December 2016). The report can be viewed here: https://www.mdba.gov.au/publications-and-data/publications/northern-basin-review-technical-overview-social-and-economic

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- Final Report: Independent assessment of social and economic conditions in the Murray–Darling Basin (Sefton, R., Peterson, D., & Woods, R. Kassebaum, A., McKenzie, D., Simpson, B., & Ramsay, M., 2020). The report can be viewed here: https://www.dcceew.gov.au/water/policy/mdb/policy/independent-assessment-social-economic-conditions-basin

Response to claim 1 that assessing the impact of water recovery is difficult to determine with precision (submission 30):

The MDBA's Northern Basin Review: Technical Overview of the Socioeconomic Analysis (December 2016) was informed by detailed socioeconomic analysis of how different levels of water recovery would likely affect northern Basin communities and associated industries.

This report employs comprehensive and exhaustive data, modelling and analysis to assess and determine the direct impact of water recovery across the Northern Basin.

For the purposes of this response, we have highlighted several key findings from the data, modelling and analysis for the Balonne Shire Council area. The MDBA's technical review of the northern Basin revealed that:

> In St George and Dirranbandi, it was possible to describe the effects from the water recovery to date and for the scenarios requiring additional water recovery. The effects on St George from the 390 GL water recovery scenario are quite large (9% reduction in total employment) and are expected to be even greater for Dirranbandi (18% reduction in total employment).[1]
>
> By focusing on employment and the linkages defining how water availability leads to changes in the individual communities, the independent reviewers noted the potential for over-estimating the employment impacts. While the MDBA recognises this possibility, and the reasons for it, there is also the potential to under-estimate employment changes arising from the recovery of water. For example, a large volume of water recovery in a very short period of time can have an immediate and quite significant impact on businesses, particularly in the farm and farm-related sector, compared with the same volume of water recovered over a longer period of time. These impacts generally take two to five years to fully play out in terms of the employment changes.[2]
>
> The total fall in employment for the St George community under the 390 GL water recovery scenario is estimated to be around 6.3% (95 FTE). Relative to the employment change associated with positive economic stimuli in other communities, these changes are quite large. They are likely to be further increased when the flow-on effects from water recovery in the Dirranbandi community are taken into consideration.[3]

1 The Murray-Darling Basin Authority Northern Basin Review: Technical Overview of the Socioeconomic Analysis (December 2016), p. 4.
2 Ibid., p. 20.
3 Ibid., p. 44.

Water recovery to date (approximately 20% of the water entitlements) has the effect of reducing the maximum area of irrigation [in Dirranbandi and Hebel] by around 27%...The flow-on effect from a smaller area of irrigation to the farm and farm-related sector was estimated to reduce employment by 11.8% (27 FTE) and jobs in the other private business sector employment by 9.5% (6 FTE). However, the current recovery of water included the purchase of all the water entitlements off one of the larger irrigation farms in this community. Dirranbandi and Hebel businesses provided the MDBA with evidence of how such a large, rapid change in the demands for their goods and services placed increased pressure on them to adjust and remain viable.[4]

Additional water recovery under the 390GL scenario is estimated to reduce the maximum irrigated area by 50%, farm and farm-related jobs by 23% (63 FTE) and other private business sector jobs by 18.5% (11 FTE). Across the local economy of Dirranbandi, the potential reduction in jobs during the maximum crop production periods was estimated to be around 18% (64 FTE).[5]

Using the 390GL water recovery scenario, if 20% of the reduction in Dirranbandi irrigation flows through to the supporting businesses in St George, it is estimated the effects on employment in the farm and farm-related sector in St George might be reduced by 10-16% (70-100 FTE). For the other private business sector, the estimated impact on employment is around 9% (35-43 FTE). Across the St George community, the estimated effect is a fall in total jobs of around 9% (105-145 FTE). These estimated changes are quite large. These estimates should be considered relative to the effects of the 390GL water recovery for St George (without the flow-on effects from Dirranbandi) of 9.5% (50-70 FTE) for the farm and farm related sector, 6.5% (25-33 FTE) for the other private business sector and 6.3% (around 100 FTE) for total employment. If more of the impacts of the Dirranbandi-Hebel water recovery flows through to the St George businesses, the potential effects on employment would be significant.[6]

The effects of water recovery on employment in the St George community will add to the job losses (120 FTE, or 7% of the labour force) which occurred in the absence of the Basin Plan. With the current water recovery, the total estimated impact on employment is around 34 FTE in the St George workforce. That is around 2.2% of total jobs. Larger impacts are expected for the economy and community under the 390 GL and 415 GL water recovery scenarios. Estimated changes from water recovery in St George are estimated to be 95 FTE (6.3% of the total workforce). It will be considerably challenging for the community to adapt to the estimated changes arising from the 390 GL water recovery scenario. When taking into account the flow-on effects from water recovery in Dirranbandi plus the underlying social and economic conditions in St George, the effects on the community are expected to increase further. Using the 390 GL water recovery scenario, the combined effects working their way through the St George community are estimated to be around 137 FTE (9.1% of the total workforce). The effects in St

4 Ibid., p. 44.
5 Ibid., p. 44.
6 Ibid., p. 48

George, given the underlying social and economic conditions, are large enough to have implications for changes to the population in the longer term.[7]

Response to claim 2 that population decline in smaller communities in outer regional and remote Basin communities can be attributed to general trends in population shifts (submission 13):

The MDBA Northern Basin Review: Technical Overview of the Socioeconomic Analysis (December 2016) explicitly demonstrates that water recovery measures have had a direct impact on population decline in the northern Basin. Further, the data and modelling used in the review demonstrate that additional water recovery measures would further compound these impacts (for specific examples, see key findings of the review listed under our response to claim 1).

The data used to support the claim in submission 13 was taken from the Final Report: Independent assessment of social and economic conditions in the Murray–Darling Basin (Sefton, R., Peterson, D., & Woods, R. Kassebaum, A., McKenzie, D., Simpson, B., & Ramsay, M., 2020).

We are familiar with the content of this report and believe that this information has not been used in the spirit for which it was intended.

In the interest of balance, we would also like to highlight several relevant key points raised in this same report, as follows:

> Commissioned social and economic condition research and our consultations highlighted that (a) there are significant gaps in information on the current social and economic conditions of Basin communities, and (b) Basin reporting is often based on out of date data. More and better information is needed, at a more local scale.[8]
>
> While irrigators can often buy and sell assets (including their water entitlements), those providing services to irrigators and people living in irrigation dependent communities are less able to adapt.[9] (p. 57)
>
> The Panel is concerned with how certain reforms have negatively affected Basin communities and thus increased communities' vulnerability and reduced their adaptive capacity and development potential. There is clear evidence that market reforms have had uneven impacts.[10]
>
> We consider these negative impacts are underacknowledged and often overlooked, including in Basin water reform evaluations.[11]

7 Ibid., p. 134.
8 Final Report: Independent assessment of social and economic conditions in the Murray–Darling Basin (Sefton, R., Peterson, D., & Woods, R. Kassebaum, A., McKenzie, D., Simpson, B., & Ramsay, M., 2020), p. 40.
9 Ibid., p. 57.
10 Ibid., p. 59.
11 Ibid., p. 59.

Response to claim 3 that voluntary buybacks are the most cost-effective form of water recovery (submission 13):

Sefton et al. (2020) reported clear evidence that the negative impacts of water buybacks are underacknowledged and often overlooked, including in Basin water reform evaluations.[12]

We believe the claims made in submission 13 have been based on a simple cost benefit analysis of dollars spent to megalitres of water recovered. However, this analysis fails to take into consideration the correlated long term social, emotional and economic impact for the Basin communities that have been, or have the potential to be, heavily impacted by voluntary water buybacks.

Throughout this response we have provided countless examples of the real cost impact for Basin communities impacted by water recovery. These examples have all been provided and backed by creditable data, modelling and analysis. We would urge this committee to consider all alternative options to water recovery targets to limit the long term social, emotional and economic impact water recovery has on Basin communities.

Response to claim 4 that the widespread belief that water recovery has decimated local communities is exaggerated and not supported by creditable economic studies (submission 13):

We observe submission 13 states that several consultancy studies have exaggerated the local impact of water buybacks. We would like to highlight that the reports referenced in submission 13 relate to impacts in Victoria and the Goulburn-Murray Irrigation District only.

Sefton et al. (2020) reported clear evidence that market reforms have had uneven impacts across the Basin.[13] The MDBA Northern Basin Review recognises the direct and serious impact water recovery has had on communities in the northern Basin, in addition to the compounding effects additional water recovery targets would have:

> In St George and Dirranbandi, it was possible to describe the effects for the recovery to date and for the scenarios requiring additional water recovery. The effects on St George are quite large and are expected to be even greater for Dirranbandi.[14]
>
> For the water recovery scenarios examined, it is expected there will be substantive effects flowing through the Dirranbandi-Hebel economy. Given the underlying social and economic conditions in Dirranbandi, the modelled estimates of impact on employment may underestimate the overall effects on the economy and community.[15]

12 Ibid., p. 59.
13 Ibid., p. 59.
14 The Murray-Darling Basin Authority Northern Basin Review: Technical Overview of the Socioeconomic Analysis (December 2016), p. 65.
15 Ibid., p. 95.

Further, the MDBA state that water recovery affects individual communities in different ways and that these impacts are influenced by the social characteristics and structure of each community as well as the make-up of its local economy.[16]

Balonne Shire Council would be pleased to provide further comment or information to support our submission.

Thank you for the opportunity to appear at the public hearing and provide additional feedback.

Yours sincerely

Cr Samantha O'Toole
Balonne Shire Mayor

16 The Murray-Darling Basin Authority website: https://www.mdba.gov.au/publications-and-data/publications/northern-basin-review-technical-overview-social-and-economic