



Submission Number: 178
Date Received: 12/01/2011

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Submission to Inquiry into the impact of the Murray-Darling Basin Plan in Regional Australia

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House of Representatives Standing
Committee on Regional Australia
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Monday, 20 December 2010

I make this submission to the inquiry into the effects of the Murray Darling Basin Plan as the Federal Member for Indi.

The electorate of Indi is located in North East Victoria where a large proportion of basin inflows originate from. Indi is responsible for more than 40% of total inflows into the basin. By virtue of geographic location, Indi is home to some of the richest agricultural land in the country and a highly secure source of water supply.

The Mitta Mitta, Kiewa, Ovens and Broken tributaries, all of which are within the electorate of Indi are significant contributors to the Murray River and significantly, enjoy a high level of hydrological health.

I forward this submission after significant engagement and consultation with a wide range of stakeholders from the Indi electorate. You will note that I have made some broad points that apply to all river systems within the electorate, as well as some more specific points that apply to individual river systems within it.

Thankyou for your consideration of this submission,

SOPHIE MIRABELLA MP
FEDERAL MEMBER FOR INDI

1. Electorate wide implications:

1.1 Advantages of using water closest to the source:

The most significant aspect of water use in North East Victoria is that water is accessed close to its source. It has been well documented in recent years that significant efficiencies can be realised by using water closest to the source.

The abundance of tributaries, streams and groundwater resources in the electorate of Indi allow farmers to irrigate crops directly from the source, without the need to deliver water along relatively inefficient and long irrigation channels.

For example, commercial experience has shown that 12 to 15 tonnes of grapes can be produced from each mega litre of supplementary irrigation water in the Upper Catchment, compared to 3 to 4 tonnes of grapes which can be produced per mega litre of irrigation water in the lower Murray regions, i.e. four times more efficient.

The Guide to the Draft Plan imposes some of the largest Basin wide reductions in diversion limits on the Indi electorate. It makes little sense to make the largest cuts to arguably the most efficient, productive and healthy region in the Basin.

Water use needs to be considered within the broader discussion of relevant policy objectives. One desirable way to achieve this would be by promoting agricultural production in the most efficient locations.

1.2 Consideration of returns through other programs

Many farmers in the Upper Catchment areas of Indi have been affected before the Guide to the Draft Murray Darling Basin Plan was even released. Previous Government decisions such as the Farm Dams legislation, the decommissioning of Lake Mokoan which returned around 28GL and broader water savings programs like the Living Murray Program, which has already delivered some 202GL from Victoria alone and the Northern Victorian Irrigation Renewal Program, which aims to deliver some 425GL from Northern Victoria must be taken into consideration before proposing large cuts to already efficient and healthy parts of the Basin.

Government policy in recent years has had a particularly discriminatory effect on upper catchment farmers. The Bracks Government's Farm Dams legislation effectively removed the right of farmers to harvest any water on their property for

irrigation purposes. This property right was removed without providing any compensation to landholders. Farmers across the border in NSW are able to collect 10% of rainfall runoff without even requiring a Farm Dam licence.

Estimates show that some 1050GL of water is yielded from private land in the Upper Catchment (Campbell Fitzpatrick, Weekly Times, August 2002). Access to much of this water has been prevented by the Farm Dams Legislation.

Legislation like the *'Water (Irrigation Farm Dams) Act 2002'*, which already help to deliver considerable amounts of water to the Basin from within the Indi electorate and have not to have been considered in the context of the Murray Darling Basin Plan.

1.3 River Health in Upstream Catchments & Reductions for Downstream Health:

The Guide to the Draft Murray Darling Basin Plan outlines the health of each river system and notes that systems in the Indi electorate are in good health.

The report notes that:

- *"hydrological conditions in the Broken Valley are considered moderate to good",*
- *"The hydrological condition for the Ovens is good",*
- *"Hydrological condition varies from good to moderate in the upper catchment (Murray Region)"*

Further, the North East Catchment Management Authority, in their submission notes that *"A reduction in diversions is not required to maintain the environmental assets and functions of the Ovens, Kiewa and upper Murray Rivers."*

The Guide to the Draft Murray Darling Basin Plan also acknowledges that the environmental water requirements for river systems in the Indi electorate are already currently available, so any reductions in diversion limits would be used for environmental needs of the downstream regions.

This is an understandable objective, however such cuts should be considered in the context of what they are attempting to achieve. Taking a large share of a small portion will not improve the health of downstream regions and will do untold damage to the economic viability of the Indi electorate.

1.4 Proposal for Indi:

Considering the overall good health of river systems in the Indi electorate, the general efficiency and productivity of farming and water use in North East Victoria and the inefficient practice of targeting upstream diversions to provide for downstream requirements, it would seem counterproductive to propose **any** cuts current diversion limits for the river systems in the Indi electorate.

If the Government is proposing to return the basin to good health while minimising the adverse social and economic impacts of the reform, it would make very little sense to reduce water allocations from those areas that can produce the most with the least water. In this regard, some consideration should be given to an **increased allocation** which would bolster agricultural production, improve economic conditions, create further employment and retain the health of river systems in the upper catchment regions.

It should also be noted that the CSIRO recently stated in response to questions in October's Senate Estimates hearings that the proposed cuts of 10GL in the Ovens system:

- *"The 10GL is, proportionally, a small contribution to the environmental water requirements of the Murray."*

And that the water:

- *"could be provided from elsewhere across the connected river system"*

Source: Answers to Questions on Notice – Innovation, Industry, Science & Research Portfolio, Supplementary Budget Estimates Hearing, 20 October 2010

If a cost benefit analysis were conducted on the most appropriate locations to reduce diversion limits, North East Victoria would probably be at the bottom of the list. For this reason, I urge the inquiry to consider to prospect of increased allocations in North East Victorian systems or at the very least, scrapping any proposal for the reduction of diversions in any of the systems in the Indi electorate.

2. Ovens Catchment:

2.1 Proposed cuts lead to “perverse outcomes”:

The Guide to the Draft Murray Darling Basin Plan proposes disproportionately large cuts to the Ovens system. The report itself acknowledges the efficiency of the Ovens system, noting that 99% of inflows into the Ovens return to the Basin through outflows¹. The Ovens is the best performing system in the land and is often used as an example of an unregulated river system in great health. The Guide to the Draft Plan notes that no additional environmental water is required for the Ovens River².

The Draft to the Guide Plan is proposing cuts of between 40% - 45% to current diversion limits.

Considering the points that are raised above, cuts of 40% - 45% would seem extreme at best. But upon closer examination, **the effective cuts amount to 71% - 79% of irrigation entitlements.**

The Guide to the Draft Plan has used a simplified methodology that has resulted in what Rob Freeman – CEO of the MDBA has referred to as a “perverse outcome” for the Ovens system.

This anomaly has occurred because the proposed cuts are applied to “total current diversions”, not just the irrigation component. Because the irrigation component is only a very small amount, and the human consumption component is comparatively large, the cuts applied to irrigation become skewed. A breakdown of the figures illustrates this point:

- Total Inflows into Ovens: 1804GL
- Total Outflows: 1708GL
- Interceptions: 58GL
- Environmental Flows: 13GL
- **Watercourse Diversions: 25GL – made up from:**
 - **Township supplies: 11GL**
 - **Irrigation entitlement: 14GL**
- Proposed reduction in Diversion Limits: 10GL – 11GL

¹ Guide to the Proposed Basin Plan, p.50, Table 5.2 – Current Diversions in the Murray-Darling Basin

² Guide to the Proposed Basin Plan, p.74, Table 6.2 – Analysis of current, additional and total environmental water requirements for each Basin.

Because the reduction in current diversion limits is likely to exclude urban consumption, effectively, total diversions available for irrigation will drop from 14GL to 3GL or 4GL (14GL – 11GL = 3GL).

I have already made the point that the inquiry should consider very carefully the prospect of making **any** reduction to SDL's in North East Rivers, but a reduction of 71% - 78% would understandably devastate the region and end agriculture in North East Victoria.

I do not believe that this was the intention of the MDBA or the Government, but it is an anomaly that must be rectified immediately because it has already created huge uncertainty and angst in my electorate. Further, it has brought an abrupt halt to any agricultural investment in the region.

2.2 Alpine Agrifoods:

In 2009, The Rural City of Wangaratta and the Alpine Shire began an agricultural initiative to restructure local agricultural businesses. The project was aimed at attracting agricultural investment to fill gaps left by the closure Tobacco industry and promote the compelling agricultural attributes of the region.

After significant investment by the two shires, the Alpine Agrifoods project has gained some traction. A prospectus was produced in early 2010 and investment was ready to flow.

Much of the work was completed on the premise that the MDBA would propose no cuts to irrigation in the Ovens system. Senior council officers had sought advice from water officials in Victoria, all of whom shared a common perception that the Ovens would not be targeted.

The release of the Guide to the Draft Plan has not only stalled the Alpine Agrifoods project, but threatens to derail it all together. This would present a huge economic loss for the region.

It is poor policy for any Government or authority to propose to destroy millions of dollars worth of investment in a regional town, simply to return a **measly** 10 GL of water for downstream environmental needs.

2.3 Cost Benefit Analysis:

Table 7.1 on page 95 of the Guide to the Draft Plan indicates that the average gross value of irrigated agricultural production in the Ovens system is \$7025 (\$/ha). This compares to an average value of \$4474 (\$/ha) across other Basin regions. This would indicate that a cut to irrigation entitlement in the Ovens will have a larger than average economic impact than in other areas of the basin.

Furthermore, the value of taking a mere 10GL – 11GL is both inefficient and unproductive in terms of achieving the overall environmental objectives of the plan.

3. Kiewa Catchment:

3.1 Large share of a small portion:

The rationale for varied SDL area reductions has been poorly explained throughout the process. Calculations show the Basin wide average reduction is between 27% - 37%, yet little explanation has been provided about the rationale.

Current diversions from the Kiewa (excluding interceptors), total 11GL, or 1.6% of total inflows.

The Kiewa River does not require further water allocations for environmental purposes and is considered to be in good hydrological health.

There is no policy imperative to propose cuts of 40% - 45% (which actually amount to between 44% - 50% when accounting for urban consumption) reductions in diversions which would only deliver between 4.4GL – 4.9GL for downstream environmental purposes.

The plan needs to consider the net benefits of taking a large share of a small portion to deliver insignificant amounts of water for downstream environmental purposes.

As they do to the Ovens catchment, the proposed SDL reductions in the Kiewa catchment will lead to perverse outcomes.