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The impact of the Murray-Darling Basin Plan in Regional Australia

Submission to House of Representatives Standing Committee on Regional Australia 20 December 2010



Invigorating Business Representation



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Executive Summary

The importance of water to the communities of the Murray-Darling Basin cannot be understated. In the Murray Riverina, almost every job in the region depends, directly or indirectly, on reliable access to water. The region is the “food bowl” of NSW and a major exporter.

The impact of the Murray-Darling Basin Authority's ‘Guide to the Proposed Basin Plan’ would extend far beyond the farm gate.. Agricultural-based businesses drive the success of almost all other business in the Basin. If they have no or reduced access to water, this flows to other businesses such as freight haulers, farm suppliers, tradespeople, retailers & the hospitality industry.

The Murray-Darling Basin Plan must be drafted as part of a broader plan for the community. The Commonwealth must outline its plan to manage the impact on regional businesses and assisting the community to transition to a future with less water over time. This is necessary for both business and community confidence.

NSW Business Chamber Recommendations:

- Communities within the Murray-Darling Basin must be informed of the anticipated social and economic impacts of the proposed Murray-Darling Basin Plan;
- The Commonwealth Government should work in partnership with stakeholders to develop a comprehensive plan to assist communities transition to a future with less water;
- Commonwealth Government programs which invest in water infrastructure and system modernisation should be directly linked to the Murray-Darling Basin Plan.

The NSW Business Chamber

NSW Business Chamber welcomes the opportunity to make a submission to the Inquiry into the impact of the Murray-Darling Basin Plan in Regional Australia.

NSW Business Chamber is one of Australia's largest business support groups, helping around 30,000 businesses each year. Founded in 1885, the NSW Business Chamber works with thousands of businesses, from owner operators to large corporations, from product based manufactures to service provider enterprises. The Chamber is a leading business solution provider and lobbying group with strengths in workplace management, occupational health and safety, industrial relations, human resources, international trade, and improving business performance.

Operating throughout a network of metropolitan and regional NSW, NSW Business Chamber represents the needs of business at a local, State and Federal level, advocating on behalf of its members to create a better environment in which to do business.

The NSW Business Chamber has worked closely with the Murray Riverina NSW Business Chamber and the Central West Business Chamber in order to complete this submission.

Business in the NSW Murray-Darling Basin

The NSW Murray-Darling region covers 78 869 square kilometres and extends along 1400 kilometres of the Murray River¹. The region has a number of geographic advantages, including being located on the Sydney/Melbourne transport corridor. As the third largest vegetable growing area, the NSW Murray-Darling region is a significant contributor to the economic wellbeing of NSW. Major industries in the region include wine and grapes, rice, feedlots and livestock and citrus and vegetable growing. The region produces a third of the State's grapes, a quarter of its citrus fruit and over half of Australia's rice crop². The Murray and Murrumbidgee regions have over 12, 000³ and 15,000⁴ businesses respectively. The value of primary production to the region is not just reflected in employment in the agricultural industry, but also in terms of a flow on effect through demand for goods and services.

The role played by strong local businesses in NSW Murray-Darling region cannot be underestimated. A sustainable business community is necessary to maintain and enhance the liveability of regional cities, towns and communities, allowing them to retain their character and improving access to services.

The NSW Business Chamber is well placed to represent the interests of businesses in the NSW region of the Murray-Darling Basin. Throughout the latter half of 2010 the NSW Business Chamber, in partnership with Local Chambers of Commerce, undertook a comprehensive exercise to ascertain the key policy concerns in regional NSW. This process involved extensive consultation with businesses as well as a wide range of regional stakeholders.

Within the Murray Riverina region, it is unsurprising that water resource management and the development of the Murray-Darling Basin Plan were raised as the single most significant issue within the region. Water policy was also a high priority in the Central West NSW region.

Copies of the 10 Big Ideas to Grow the Murray Riverina and 10 Big Ideas to Grow the Central West are available at <http://www.10bigideas.com.au/>.

¹ NSW Government Planning (2009) Draft Murray Regional Strategy, p3

² *ibid*

³ Australian Bureau of Statistics National Regional Profile: Murray (Statistical Division) 2007

⁴ Australian Bureau of Statistics National Regional Profile: Murrumbidgee (Statistical Division) 2007

The Water Act 2007

The NSW Business Chamber has called for a review of the *Water Act 2007* (Cth) (the Water Act) before the Murray-Darling Basin Plan is implemented, to ensure economic and community impacts are given equal consideration to environmental concerns.

In developing the Guide to the proposed Basin Plan, the Murray-Darling Basin Authority (MDBA) has clearly paid close attention to the requirements of the Water Act and in particular the weightings attached to the environmental, social and economic considerations respectively. Furthermore it is clear that the outgoing Chair of the MDBA has a different understanding of the Authority's role under the Water Act to the views held by the Commonwealth Government.

In October 2007 the Minister for Sustainability, Environment, Water, Population and Communities, the Hon. Tony Burke MP, released a ministerial statement in relation to the interpretation of the Water Act. In his statement, Minister Burke stated that:

"It is clear from this advice that environmental, economic and social considerations are central to the Water Act and that the Basin Plan can appropriately take these into account".

To state that social and economic considerations can be taken into account is not sufficient. In developing a plan for the Murray-Darling Basin, it must be an explicit requirement for the MDBA to consider the environmental, social and economic impacts equally. Advice provided by the Australian Government Solicitor explicitly indicates this is not possible under the current Water Act and that social and economic considerations are secondary to environmental considerations. Specifically the advice from the Australian Government Solicitor notes that "an overarching objective of the Act and the Plan is to give effect to relevant international agreements⁵.

"Neither the Convention on Biological Diversity nor the RAMSAR Convention require that the Parties disregard economic and social conventions in giving effect to the environmental obligations. Both Conventions establish a framework in which environmental objectives have primacy but the implementation of environmental objectives allows consideration of social and economic factors."⁶

This interpretation was confirmed by the outgoing Chair of the Murray-Darling Basin Authority, who stated:

'The Guide was developed with full regard to the requirements of the Water Act, and in close consultation with the Australian Government Solicitor. However, the Authority has sought, and

⁵ Australian Government Solicitor (2010) the role of social and economic factors in the Basin Plan, paragraph 9

⁶ Australian Government Solicitor (2010) the role of social and economic factors in the Basin Plan, paragraph 23

obtained, further confirmation that it cannot compromise the minimum level of water required to restore the system's environment on social or economic grounds.⁷

In the situation where legal advice provided by the Australian Government Solicitor has been interpreted so different by the Minister and the Murray-Darling Basin Authority, it is imperative that a review of the Water Act 2007 be undertaken. Government, stakeholders and the communities of the Murray-Darling Basin need certainty that social, economic and environmental considerations can and will be given equal consideration in the development of the Plan. The Government cannot expect stakeholders and the community to participate in the development process, and particularly in the consultation process, without this assurance.

The direct and indirect impact of the proposed Basin Plan on regional communities

The availability of water is central to the sustainability of the communities in the Murray-Darling Basin. Access to water is not just vital to the agricultural industries, it is necessary for other subsidiary and tertiary industries such as tourism and urban development and those sectors supplying goods and services to agricultural producers.

The impact of reduced water entitlements, as outlined in the Murray-Darling Basin Authority's 'Guide to the Proposed Basin Plan', would extend far beyond the farm gate. The uncertainty surrounding water entitlements has already had an impact on regional businesses and communities. In particular, the lack of confidence amongst irrigators has a significant flow on impact to other business and industries in regional towns.

There is substantial evidence to demonstrate this level of uncertainty and its effects on investment and spending patterns in the Murray-Darling Basin community. The impact of current water policy and the proposed Plan are highlighted in the research undertaken by the Australian Bureau of Agricultural and Resource Economics (now the Australian Bureau of Agricultural and Resource Economics and Sciences or ABARES) in 2007/08. ABARES surveyed irrigation farms through the Murray-Darling Basin and found more than two-thirds of irrigators in the Murray-Darling Basin stated that the uncertainty of water allocations was a major constraint against expanding the area irrigated. Irrigators also cited insufficient irrigation water and a lack of financial resources as constraints.⁸

The findings of the ABARES research are supported by more recent research into the social impacts of declining water availability in the Murray-Darling Basin, undertaken by the Gender, Leadership and

⁷ Murray-Darling Basin Authority Chair Michael J Taylor (2010) Press Release Plan for the Murray-Darling Basin – Role of Authority Chair, 7 December 2010

⁸ ABARE An economic survey of irrigation farms in the Murray-Darling Basin, Industry overview and regional profile, Research Report November 2008, p15

Social Sustainability (GLASS) Research Unit at Monash University. Interview participants expressed the view that there is little support for their industries and communities under the current water policy. Relevantly there was a strong view among participants that there is no plan underpinning the water buy backs and that buy backs were occurring regardless of community impact⁹. Throughout the consultation process for the regional '10 Big Ideas policy' development, members of the NSW Business Chamber have expressed a similar lack of confidence. Businesses are reluctant to invest whilst the future of water allocations and the viability of the region remain uncertain.

The socio-economic impact of the proposed Murray-Darling Basin Plan

The NSW Business Chamber supports the mandatory equal consideration of the economic and social impacts of the proposed water allocations under the Murray-Darling Basin Plan, with environmental impact as required by the Act. Businesses in the Basin are concerned with the ongoing viability of their community and understand the importance of maintaining the natural environment as part of that broader consideration.

NSW Business Chamber is particularly concerned with the detrimental impact that the reduced water availability will have on businesses along agricultural supply chains and in towns throughout the NSW Murray-Darling region.

Water consumption in the Murray-Darling Basin is unsurprisingly skewed towards agriculture. Around one-third of the businesses in the Basin are in the agriculture, forestry and fishing sector, employing approximately 11% of the Basin workforce¹⁰ yet agriculture accounts for 83% of water consumption in the region¹¹. Although manufacturing and other industries¹² account for only 3% of water consumption, a reduction in water entitlements will have a significant impact on businesses in these industries due to their relationship to the agricultural sector and their overall position within the supply chain.

The NSW Murray-Darling region is the 'food bowl' of NSW and agricultural based businesses drive the success of almost all other businesses in the region. It is clear that a reduction in water allocations would lead to significant job losses in the region. For example, much of the manufacturing sector involves processing the agricultural produce from the region. It is efficient for food manufacturing businesses to be located close to the source of production. In the region around 28,000 people are employed in food, beverage and tobacco manufacturing¹³.

⁹ Alston, M, Whittenbury, K & Haynes, A (2010) The social impacts of declining water availability and ongoing drought in the Murray-Darling Basin, Short Report, Faculty of Medicine, Nursing and Health Sciences, Monash University, pp10-12

¹⁰ Australian Bureau of Statistics, Australian Bureau of Agricultural and Resource Economics and Bureau of Rural Sciences (2009) Socio-Economic Context for the Murray-Darling Basin, Descriptive Report, MDBA Technical Report Series, September 2009, p vi

¹¹ Australian Bureau of Statistics (2008) Water and the Murray-Darling Basin: a statistical profile, 200-01 to 2005-06

¹² ibid

¹³ Australian Bureau of Statistics, Australian Bureau of Agricultural and Resource Economics and Bureau of Rural Sciences (2009) Socio-Economic Context for the Murray-Darling Basin, Descriptive Report, MDBA Technical Report Series, September 2009, p vi

The social and economic impacts of the proposed Murray-Darling Basin Plan extend beyond the loss of industry and jobs. In the Guide to the proposed Basin Plan, the Murray-Darling Basin Authority acknowledges that communities risk losing community services and furthermore, that some communities may be ‘permanently changed by the reduction in diversion limits.’¹⁴ This should be a key concern for the Commonwealth Government.

The NSW Business Chamber strongly supports the call from the MDBA for the Commonwealth and NSW Government to consider community assistance packages. Support and assistance is needed to create new industries and job opportunities and to support existing industries to improve their water efficiency. It is noted that in 2007, in the Senate Standing Committee on Environment, Communications, Information Technology and the Arts Report into the Water Bill 2007 and the Water (Consequential Amendments) Bill 2007, Labor Senators emphasised that whilst water security and planning must improve, at the same time steps must be taken to help water users adapt to less water¹⁵. The NSW Business Chamber calls on the Commonwealth Government to implement this process.

The role of governments, the agricultural industry and the research sector in developing and delivering infrastructure and technologies aimed at supporting water efficiency within the Murray-Darling Basin

Regional Development Australia Murray has identified water as the second most common infrastructure needed after roads and transport, stating ‘water is both an environmental and economic priority for business and industry’¹⁶. It is clear that investment in water saving technology has not been used to its full potential. This could involve both direct public investment in water saving technology along the irrigation system, and rewards for those businesses that undertake such water saving investments. The other advantage of this infrastructure approach is that it incentivises and rewards water saving approaches the agricultural sector. In contrast, using only a buy-back approach will quickly and permanently remove water use as an agricultural input and greatly reduce the economic sustainability of the region.

The Murray-Darling Basin community has taken pro-active steps to improve water use efficiency and plan for reduced water availability. Working with the Commonwealth Government, the Strengthening Basin Communities program has allowed Local Governments in the region to begin to plan for a future with less water. By necessity, this is a process of small adjustments over time. Furthermore the Riverina and Murray Regional Organisation of Councils (RAMROC) have initiated the Water4Food project, which demonstrates a pragmatic approach to managing water supply and community sustainability. More information on the Water4 Food project can be found at <http://www.water4food.com.au/>.

¹⁴ Murray-Darling Basin Authority (2010) Guide to the proposed Basin Plan, Volume 1, p81

¹⁵ The Senate Standing Committee on Environment, Communications, Information Technology and the Arts Report on the Water Bill 2007 and the Water (Consequential Amendments) Bill 2007, August 2007, p30

¹⁶ Regional Development Australia Murray, Regional Plan 2010-2015

A number of irrigators and businesses in the region have invested resources in making their enterprises more water efficient, with some initiatives made by local irrigators being world-leading, setting the trend to better overall water management practices. However, the lack of transparency surrounding the development of the Murray-Darling Basin Plan threatens to undermine these activities. The Murray-Darling Basin Plan cannot exist in isolation. Restoring water to the environment will necessarily have a significant impact on certain regional communities. The Commonwealth and State Governments must demonstrate what measures will be in place to allow these regional communities to transition.

Thank you for the opportunity to contribute to the Inquiry into the impact of the Murray-Darling Basin Plan in Regional Australia and your consideration of our recommendations. Should you wish to further this matter further, please do not hesitate to contact the Policy Unit

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