

Introduction

- 1.1 The Murray-Darling Basin is one of the most productive food and fibre regions of Australia. Despite comprising only 14 per cent of the country's land mass, the Basin produces, on average, 45 per cent of Australia's irrigated agricultural product. It is vital that that this region, which grows some of Australia's, and the world's, finest food and fibre continue to respond to the growing global demand for increased, and better quality, production.
- 1.2 There is a need to balance the productive use of water resources with the needs of the environment. However, there is also a pathway to achieve this outcome without destroying the socio-economic basis of communities in the Basin. This report recommends a pathway that can result in a win-win outcome for the communities and the environment.
- 1.3 This inquiry arose as a result of the Murray Darling Basin Authority's (MDBA) release of the *Guide to the proposed Basin Plan* (the Guide) which proposes the sustainable levels of diversions necessary to ensure the Basin's environmental health. The Committee, and the community, accepts that without a long-term healthy Basin river system, we cannot have long-term and healthy Basin communities and this will require extra environmental flows in some places.
- 1.4 However, the Committee has questioned the assumptions that have been expressed within the Guide. The Guide appears to rely on an 'end of system flow' measure, rather than a total catchment management approach that requires consideration of the biodiversity that contributes to the ecological sustainability of a catchment and includes the interdependence of surface and ground water, introduced and native biota, farmed and forested systems, mining, urban and irrigated water use and the climate.

- 1.5 The Committee questions the MDBA's interpretation of the *Water Act 2007* (the Act) in identifying a 'whole of Basin' sustainable diversion limit (SDL), instead of only identifying regional SDLs. The vast distances, topographic and climatic variation within the Basin renders a 'whole of Basin' SDL meaningless. The Committee considers that the MDBA's interpretation of the Act in this way as a fundamental failing in this process.
- 1.6 In a wide-ranging inquiry, touring from the very south to the top end of the Basin, the Committee identified water savings to be found through environmental works and measures and on-farm efficiency works. The report identifies some of these measures and recommends that they be fully explored prior to considering any reduction in productive water allocation.
- 1.7 Greater investment needs to be made in research and development and irrigation efficiency that can help boost productivity, and profitability, of the region.
- 1.8 The report also recommends that all non-strategic water buyback must cease immediately.¹ While the government water purchase program can and does play an important role, it is being implemented in such a way that causes significant harm to community viability, that strands assets and results in less efficient and more expensive irrigation systems.
- 1.9 The report considers community reaction to the *Guide to the proposed Basin Plan*, including a reduction in business confidence. It finds that in conjunction with a Basin Plan, there is a need for community plans to ensure that communities remain resilient and vibrant places to live. These must be developed at the local level, to identify what communities need to continue to be thriving, vibrant places to live, addressing issues such as transport, infrastructure, and workforce development and training needs. Natural resource managers, such as catchment management authorities in Victoria and New South Wales, demonstrated a strong capacity to provide this function.
- 1.10 The report also responds to concerns heard widely across the Basin that the bureaucracy is not transparent and is unresponsive to innovation. This report recommends the creation of two new bodies – a new government owned corporation to source water for the environment and a standalone

1 Recommendation 6, p. 111.

Commonwealth Environmental Water Holder – to address these concerns.²

- 1.11 These two new agencies will take on responsibilities currently held by the Commonwealth Department of Sustainability, Environment, Water, Population and Communities (SEWPAC). The Committee heard of grave mistrust of this department across Basin communities resulting from the failure of the department to identify and respond to community concerns on a range of issues. In addition, this department has demonstrated a consistent failure to deliver water programs, including strategic water buyback, which is in the best interests of productive communities. This department should no longer be responsible for delivering these programs.
- 1.12 The Committee is of the firm view that this work should be undertaken by a government owned corporation, which would include all Basin jurisdictions as stakeholders, that also the capacity to deliver water savings through a range of measures including environmental works and on-farm efficiencies, prior to any resort to removing productive water from use. Such an agency would also have the capacity to respond to innovative irrigator-led proposals, such as those outlined in this report without the bureaucratic red tape that currently exists. The report therefore recommends the creation of an agency based on the successful ‘Water for Rivers’ company model that has proven delivery of localised water efficiency solutions.³
- 1.13 Likewise, the report has responded to community concerns and recommends that the Commonwealth Environmental Water Holder (CEWH) be established as an independent agency that has the capacity to build scientific and engineering expertise that is essential in an agency of this kind. It is a clear conflict of interest for the CEWH to sit within SEWPAC and be required to balance its statutory accountabilities with the need to be responsive to a Government Minister. The CEWH must be open and transparent with, and responsive to, the community. For this reason alone, it should not be located within an agency that has proved its incapacity to be responsive and proactive to the community.
- 1.14 The Committee emphasises that the proposed arrangements are not new layers of bureaucracy but a reassignment of function that will allow greater efficiency, cooperation with stakeholders, flexibility, accountability and transparency.

2 Recommendation 15, p. 140 and Recommendation 19, p. 158.

3 Recommendation 15, p. 140

Release of the Guide

- 1.15 On Friday, 8 October 2010, the Murray-Darling Basin Authority (MDBA) released its *Guide to the proposed Basin Plan* (the Guide). This 1 200 page series of documents sets out proposals for reductions in sustainable diversion limits (SDLs) in surface and groundwater across the Murray-Darling Basin (the Basin).
- 1.16 The MDBA released the Guide intending it to form the basis of community discussions on the subsequent Basin Plan. The proposals contained within the Guide are intended to form the basis of the Basin Plan, which will set limits on the water that can sustainably be extracted from within the Basin river and groundwater systems.
- 1.17 On the following working day, Monday, 12 October 2010, the MDBA commenced a series of community information sessions in affected Basin communities. Communities had been given no opportunity to read the lengthy and complex documents. Nor had they been given an adequate explanation of the role of the Guide or the role of community discussion in informing the resulting Basin Plan. In fact, the need for the Plan has not been adequately communicated, even within the Guide itself.
- 1.18 In these sessions, the MDBA was met by angry and concerned regional communities, including farmers, town business people and professionals, Indigenous people and individuals representing schools, churches, community organisations and local governments.
- 1.19 The MDBA has made some fundamental mistakes in communicating the Guide. While it appears that the intent of the MDBA was to be open and transparent with communities, it has instead produced a set of documents that are unduly complex and inaccessible to many readers.
- 1.20 The communication strategy adopted by the MDBA did not allow for a careful, considered, discussion within Basin communities about how to achieve a healthy, prosperous Basin. Instead, it provoked despair, anger and anxiety as communities reacted to what they felt was an attack on their livelihoods.
- 1.21 The drastic sustainable diversion limit (SDL) proposals within the Guide left many assuming that irrigators will be unwillingly stripped of their water rights or left with less efficient, or stranded, irrigation assets.
- 1.22 The proposed SDLs in the Guide failed to be placed in the context of water already returned to, or purchased for, the environment in recent years. Nor did the Guide articulate the range of ways that water could be

recovered for environmental needs in the future, for example through better or more environmental works and irrigation efficiencies.

- 1.23 The assumptions made in the Guide have led to widespread uncertainty across the Basin, which has affected investor confidence and left many questioning what will happen to the food bowl which is the Murray-Darling Basin.
- 1.24 Throughout this inquiry, the Guide has consistently been referred to as the Basin Plan. The Guide is not the Basin Plan. It is nothing but an early exposure to the assumptions and calculations which may underpin a final Basin Plan.
- 1.25 In its travel throughout the Basin, the Committee met with many people who agreed that more water needs to be returned to the environment and that a Basin Plan is necessary. Farmers were keen to point out that they are not only the nation's most productive food and fibre producers, but they are also land stewards and managers who know the importance of a healthy ecosystem to sustain their prosperity. The Basin relies on these individuals to assure its health.
- 1.26 While much of the responsibility for the fear and anxiety caused by the Guide rests with the MDBA, the failure to communicate the need for a Basin Plan is a responsibility shared by the six⁴ governments responsible for water sharing within the Basin.
- 1.27 In evidence, all Basin state and territory governments questioned the Guide but not the need for reform. Support for this major reform has been repeatedly stated through the Council of Australian Governments (COAG) over the past two decades, including the National Water Initiative in 2004.
- 1.28 The 2008 COAG agreement to establish the MDBA to prepare a whole of Basin Plan to set SDLs on water use in the Basin is the most recent and strongest endorsement of Basin wide reform by the states. This, and the preceding agreements, have all been motivated by a mutual desire to provide for the long-term health and prosperity of the Basin and safeguard the water needs of communities that rely on its water resources.
- 1.29 These governments now have a collective responsibility to demonstrate to Basin communities the need for a Basin Plan and why previous reforms have been considered not to have been successful. Communities have been through decades of reform and are exhausted by it. They have not

4 The Commonwealth, Queensland, New South Wales, Victoria, South Australia and Australian Capital Territory governments.

been given properly considered analysis of the long term requirements to maintain a healthy Basin nor adequate information about how these requirements will be achieved.

- 1.30 The Committee found, however, that even after decades of continual change, communities across the Basin are still willing to cooperate in this next round of reforms. However, trust in the MDBA, has been seriously eroded.
- 1.31 There is a clear need and desire for individuals and communities to continue to take responsibility for the health of the rivers. However, there is also clear evidence that communities in the Basin feel that consultation on water policy has been generally poor. The only way to ensure the health of the entire Basin is if all stakeholders work together on this plan for the future.

Conduct of the inquiry

- 1.32 Following the release of the Guide, the Minister for Regional Australia, the Hon Simon Crean MP, announced that he would be asking the newly formed Standing Committee on Regional Australia to undertake an inquiry into the impact of the proposed Basin Plan.
- 1.33 On 28 October 2010, at its inaugural meeting, the Committee agreed to adopt terms of reference for the inquiry.
- 1.34 The Committee sought and received submissions from a wide range of organisations and individuals, including submissions from state and territory governments, councils, employers, business organisations, industry groups, academics and unions.
- 1.35 The Committee received 645 submissions and 85 supplementary submissions. A list of submissions is at Appendix A. All public submissions are available on the Committee's website.⁵
- 1.36 The Committee received 142 exhibits provided during public hearings and inspections. A list of exhibits is at Appendix B.
- 1.37 The Committee held twenty public hearings across the four Basin states and in the ACT. The Committee heard from 274 witnesses at public hearings, and provided an opportunity at all its hearings outside of

5 <www.aph.gov.au/mdi>

Canberra for individuals to make short statements. In total 87 people provided statements to the Committee at these sessions.

- 1.38 The Committee also undertook site inspections in all Basin states. The Committee offers its sincere thanks to all those individuals, organisations and business that hosted it. These visits were invaluable to the inquiry and gave the Committee a full appreciation of the diversity of the Basin and the people who live within it. Witnesses at public hearings and site inspections are listed at Appendix C.

Structure of the report

- 1.39 Chapter 2 discusses the history of water reform in the Murray-Darling Basin, including the geography, economic and employment profile of the Basin, current governance arrangements and the need for ongoing reform.
- 1.40 The impact that the release of the Guide had on local communities is discussed in Chapter 3, including the impact on business confidence, employment projections and the existing pressures on farming communities. This Chapter also discusses the use of science and data in the Guide and the damage sustained to the reputation of the MDBA.
- 1.41 Chapter 4 makes recommendations about improving engagement with the community and the states and territory and the need for Basin community planning.
- 1.42 Chapter 5 makes recommendations about the function and impact of the Government's water purchasing program. The chapter makes recommendations about improving government investment programs and the establishment of a new national water fund.
- 1.43 Chapter 6 discusses the need for improved governance arrangements for the management and monitoring of environmental water and implementation of the Basin Plan.
- 1.44 Chapter 7 provides an overview of the report and outlines how to bring together the Committee's recommended reforms in a comprehensive new governance arrangement of the Basin, aimed at supporting Basin communities and resulting in a Basin Plan that delivers a 'triple bottom line' approach.
- 1.45 Appendices A to C are as listed above. Appendix D contains an extract from the *Water Act 2007* outlining the purpose of a Basin Plan. Appendix E lists some of the potential additional water savings identified throughout

the inquiry. Appendix F contains the Committee's interim findings as issued on Thursday, 10 February 2011 and the Ministers' response. The committee's interim findings are reiterated where appropriate within the report. Appendix G contains a diagrammatic representation of how the Committee sees a new governance model operating for the Basin.

- 1.46 Although many more issues were raised in this inquiry than are raised in this report, the Committee was cognisant of the need to report in a timely manner. The Committee refers readers, and specifically the MDBA and involved governments, to the many submissions on its website and extensive transcripts of evidence for a fuller discussion of the range of issues facing Basin communities.

What this report does not do

- 1.47 Many have called on this Committee to make recommendations on issues outside its remit, such as:
- to specify a SDL for their valley, different from that in the Guide;
 - to quarantine their region from the Basin Plan;
 - that the *Water Act 2007* be amended or withdrawn;
 - that the idea of a Basin Plan be withdrawn;
 - that the MDBA be disbanded; and
 - that individual projects be given approval or funding.
- 1.48 This report does not do any of these things. It is not the role of a parliamentary committee to write the Basin Plan, nor is it the Committee's role to preference or nominate regions to be quarantined from proposed SDLs or recommend funding individual projects.
- 1.49 The Committee does not assume to have an intimate working knowledge of each valley or river system, and therefore does not have the capacity to make judgements on the value of specific ideas put to it. The report puts the view that the only people who have this knowledge are those that are managing, working and living with the rivers and thus recommends that these are the people who should be involved in detailed planning.
- 1.50 Some questioned Australia being a party to international environmental treaties and called for these treaties to be abandoned. However, these treaties provide for no greater level of environmental health in the Basin than is required by the environment itself. In the Committee's view, being a signatory to the treaties merely places on Australia the responsibility to

be an international leader in water management – something which the land managers of the Murray-Darling Basin have demonstrated that they not only are, but continuously strive to be.

- 1.51 The report does discuss the *Water Act 2007* but does not make specific recommendations regarding its role. The Senate is currently undertaking an inquiry into the Act and that inquiry will have greater capacity to determine if the Act needs to be amended.

What this report does

- 1.52 The report sets out what is, in the Committee's opinion, a practical way forward that will result in sustainable social, environmental and economic outcomes for Basin communities.
- 1.53 The report is supportive of the concept of a Basin Plan, but only one that is developed with the support of, and in support of, the communities that will need to implement it.
- 1.54 The report steps back from the emotion engendered by this debate to focus on the willingness of all involved, from individual irrigators, to industries, to communities to councils to state, territory and Commonwealth governments, to build trusting relationships and find positive outcomes for all.
- 1.55 While the report does not recommend that individual projects proceed, it does illustrate the wealth of initiatives existing across the Basin. Case studies illustrate how, through using the knowledge existing in communities, ideas for savings are available before turning to a reduction in the productive water available to irrigators.
- 1.56 However, the report also recognises that Basin irrigators are facing a future with less water and has tried to set out a framework for how this reduction can occur while also supporting communities to thrive.
- 1.57 Among the significant issues the Committee has addressed in its recommendations are:
- the need for Basin community plans which provide support and, where necessary, provide structural adjustment measures for some impacted communities;
 - development of a national water fund to support on- and off- farm infrastructure improvements and environmental works and measures as well as water purchases;

- establishment of a government owned corporation to purchase water for the environment and invest in irrigation and environmental infrastructure works, taking this role out of the hands of a government agency; and
- improving governance arrangements for the Commonwealth Environmental Water Holder to ensure this office is transparent, efficient and accountable.

1.58 Through these and other recommendations, the report sets out a tangible way forward for the delivery of a healthy, sustainable Murray-Darling Basin well able to continue to provide world best practice production and a unique environment. The Committee calls on all those involved in the future of the Basin to accept the report's findings and work together for the healthy future of the Basin and its communities.