



Municipal Association of Victoria

**Submission to the House Standing
Committee on Regional Australia:
Inquiry into the impact of the Murray
Darling Basin Plan on Regional Australia**

Date: December 2010

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The MAV is the statutory peak body for local government in Victoria, representing all 79 municipalities. The MAV would also like to acknowledge the contribution of those who provided their comments and advice during this project.

While this paper aims to broadly reflect the views of local government in Victoria, it does not purport to reflect the exact views of individual councils.

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1 Executive Summary

The Municipal Association of Victoria (MAV) welcomes the opportunity to provide comment on the *Inquiry into the impact of the Murray Darling Basin Plan on Regional Australia* by the House Standing Committee on Regional Australia. The MAV acknowledges finding the right balance between economic, social and environmental considerations for the Basin is a complex challenge, but one that needs to be adequately addressed before finalisation of the proposed Murray Darling Basin Plan.

The Basin is a key factor in Australia's ecological health, containing some of the country's most diverse and rich natural environments, a number with international significance. The current environmental health of the system is poor, with 20 out of 23 catchments in the Basin in 'poor' to 'very poor' ecosystem health. The level of over-allocation of water across the Basin has been exacerbated by severe drought and the impacts of climate change, resulting in a marked decline in the ecological health of the Murray Darling Basin.

The premise of the Basin Plan, to ensure the ongoing environmental health of the Murray Darling Basin, is supported in-principle. Victorian local government recognises the current situation is not acceptable and it must be addressed. However, questions have been raised about how increased water for environmental flows will contribute to the improved health of the Basin and the level of burden regional communities are willing to accept as an outcome of decreased water availability.

To support regional communities through any transition in reduced water availability, investment in improved water use through irrigation efficiency upgrades and smarter on-farm water use should occur as a matter of priority. Improvements to water infrastructure will assist in alleviating adverse impacts for the agricultural sector, regional communities and food security if there are increased water flows directed to the environment.

Due to the release of the Guide coinciding with caretaker provisions of the Victorian Government in the lead up to the Victorian state elections held in November, it was difficult for the MAV to ascertain how the Plan and proposed sustainable diversion limits (SDLs) set out in the Guide would be implemented at the State level. The MAV hopes greater clarity on implementation of proposed SDLs can now be achieved following the appointment of the new Victorian Government.

To ensure the long-term sustainable management of water resources across the Basin and the communities it supports, the MAV trusts the three levels of government can work together, and with the community, on the development and finalisation of the Basin Plan.

1.1 Recommendations

These recommendations are a summary of the main issues the MAV will be advocating to the Murray Darling Basin Authority for consideration in the development of the Basin Plan. Further detail pertaining to the reasoning for these key recommendations, and additional recommendations, are contained within the body of this submission.

- The MAV seeks urgent clarification of timeframes for the development and projected finalisation of the Basin Plan, as a consequence of additional socio-economic investigations and inquiries being undertaken since the release of the Guide
- A resolution on how environmental, social and economic considerations will be weighted in the Basin Plan under the Water Act 2007
- A re-thinking of the engagement and consultative process used to engage with regional communities, councils, industries, and other stakeholders in the development of the Basin Plan. A more constructive and targeted approach is required, then what was used for the Guide, to address an erosion in community confidence in the Plan and what it is trying to achieve
- Irrigation-based agriculture is a key element in the economic base of northern Victorian communities. Consequently, councils within these regions are very concerned about the ongoing viability of their communities under proposed sustainable diversion limits (SDLs) and should be engaged in social and economic assessments as part of the development of the Basin Plan
- Greater understanding of the potential social and economic implications of proposed SDLs for each of the Basin regions is needed to create a setting where continued regional investment and growth can occur (where appropriate)
- An enhanced level of activity on improvements to irrigation infrastructure and on-farm water efficiencies within the Basin, including projects committed to under the Commonwealth Government's *Water for the Future Program*, is required to create an acceptance of change to existing water sharing arrangements between agriculture and the environment
- A strategic approach to land use change across the region needs to be taken as part of the water buy-back method of returning water to the environment. Councils are concerned about the impact an un-structured approach to water buy-backs could have on communities and the future management of irrigation assets
- Existing Victorian water management plans and programs, including the Northern Region Sustainable Water Strategy (NRSWS), have been developed following comprehensive consultation with regional communities, industry, local government and other bodies and must be considered in the finalisation of the Plan
- With respect to existing water management plans in Victoria, clarification of differences in water targets for environmental flows between the Victorian NRSWS and the proposed SDLs in the Basin Plan is required
- Further examination of the equitable contribution and distribution of SDLs across Basin regions in Victoria is sought, particularly where the proportion of water diverted by inception activities (i.e. farm dams, plantations) is high, and irrigation low, as it appears in these regions unfair disadvantage may be placed on irrigators to meet SDLs
- The Murray Darling Basin is a significant environmental, social and economic asset. Victorian councils recognise current water management arrangements across the Basin need significant improvement, but seek a Plan which finds the right balance between the environment and the communities supported by the system

2 Introduction

The Guide is acknowledged as the first step in a process of setting a new approach to improved water management across the jurisdictional boundaries of the Murray Darling Basin. Given the current health of the system and past mismanagement of water resources across the Basin, a holistic approach to better water sharing between the environment, agriculture and other human needs is required and supported.

The MAV recognises the proposed diversions to water use for consumptive purposes within the Basin is a significant issue for Victorian councils and their communities, as water availability is an important driver of economic prosperity.

Councils play a critical role in supporting the viability and sustainability of their communities. Consequently, councils within the Basin region have spent considerable time and resources engaging their communities, through meetings and forums, to better understand their views and concerns about the Guide.

For the MAV to better understand the issues for Victorian councils in relation to the Guide, the association convened a local government information session and workshop on the Guide in Bendigo on Friday 19 November. Mayors and CEOs from 14 councils, principally from within the Basin attended the session, and Michael Taylor, former Chair of the Murray Darling Basin Authority, presented to attendees and responded to questions.

The workshop assisted the MAV to attain a greater understanding of the shared issues for local government in relation to the Guide and of the actions Victorian councils seek the MAV to take forward in regard to the proposed Basin Plan. The outcomes of that workshop were used to inform this submission and its recommendations.

Additionally, this submission takes into account a resolution passed at a meeting of the MAV membership (State Council) in October. The resolution sought that:

- the Federal Government be called upon to fully consult directly with local government on the *Murray Darling Basin Plan* prior to any implementation of the plans/recommendations;
- the Federal Government be encouraged to find other sources of environmental water, for example, infrastructure efficiency upgrades, community identified areas of 'non-irrigation' and continued support for on-farm water efficiencies;
- the Victorian Government be urged to form a working party comprising local government, Regional Development Victoria and invite Regional Development Australia, to develop a co-ordinated response to the Plan which addresses the environmental, social and economic impacts of the plan.

A draft version of this submission was circulated to the MAV membership for comment prior to finalisation. Additionally, individual councils and regional groupings of councils will have provided their own submissions on the Guide raising key issues of concern to their region. These important submissions provide a valley and regional level of discussion of the impacts and issues, which the MAV submission has not sought to do.

Councils must be given opportunities to be involved in, and consulted with, during the finalisation of the Basin Plan, to ensure the sector is appropriately engaged and their views reflected in the final document. The MAV is available to assist with engaging Victorian councils and facilitating council involvement in the finalisation of the Basin Plan.

3 Background

3.1 Water Management in Victoria

A number of water and regional policies, plans and programs have been introduced in Victoria which must be considered in the development of the Basin Plan. Importantly, in northern Victoria where irrigated agriculture is one of the main drivers of economic prosperity, the impacts of the Basin Plan will be most prominent. In this region there are already a number of significant policies and programs being implemented, including the Northern Region Sustainable Water Strategy and the Northern Victoria Irrigation Renewal Project, which has seen record investment in irrigation upgrades throughout the region.

In addition, Victoria has a new Liberal National Coalition Government, with accompanying changes in water policy. Some of the new Government's policies on rural water use include only allowing water to flow to Melbourne from the Sugarloaf pipeline (also known as the North-south Pipeline) for 'critical' human water needs. The new Victorian Government also has a policy to make cities more water self-sufficient and has pledged to set water substitution targets for Melbourne through greater implementation of stormwater harvesting, water recycling and reuse. The integrated water management approaches for cities come under the Victorian Government's *Living Victoria* initiative¹.

3.2 Sustainable Water Strategies

The Victorian Government *Our Water, Our Future* (2004) action plan committed to undertaking regional sustainable water strategies to plan for long-term water security across Victoria.

Each sustainable water strategy sets out a long-term regional plan to secure water for local growth, while maintaining the balance of the area's water system and safeguarding the future of its rivers and other natural water sources.

Four sustainable water strategies covering the Northern, Central, Western and Gippsland regions of Victoria are developed or being developed. The Northern and Central Victoria sustainable water strategies have been finalised and the Gippsland and Western sustainable water strategies are currently being developed. It is not known whether there will be any changes to the development of the Gippsland and Western region plans under the new Victorian Government.

The Northern Region Sustainable Water Strategy (NRSWS) has the aim of increasing environmental flows in the region by around 400 billion litres per year² through the Commonwealth Government's buy-back program, improved efficiency measures and other initiatives.

¹ The Victorian Liberal Nationals Coalition Plan for Water, November 2010

² Northern Region Sustainable Water Strategy, Protecting the Environment - Fact Sheet 8, www.ourwater.vic.gov.au

3.3 Northern Victoria Irrigation Renewal Project

The Northern Victoria Irrigation Renewal Project (NVIRP) has seen record investment in irrigation upgrades in Northern Victoria.

The Commonwealth Government has committed almost \$1 billion to improve irrigation infrastructure in Northern Victoria to provide greater water security for farmers whilst protecting the environment. The announcement gives support to Stage 2 of the NVIRP, to upgrade old and inefficient irrigation systems across 7,600 irrigation properties in the Goulburn-Murray Irrigation District.

The Victorian Government has already invested \$1 billion in Stage 1 of the Project and will contribute 10 per cent of funding towards Stage 2. Stage 1 is expected to deliver 225 GL per year in water savings to be shared equally between the environment, irrigators and Melbourne. However, this may change as a result of the new Victorian Government's position on the Sugarloaf pipeline, which is to only divert water to Melbourne for critical human water needs. Details of how additional water retained within the Goulburn Murray Irrigation District will be used and whether it will be used to improve environmental flow in the region are currently unknown. Stage 2 is expected to deliver 200 GL per year to be shared between the environment and irrigators. Stage 2 water savings are expected to contribute to meeting the sustainable water diversion limits under the proposed Basin Plan.

3.4 Victorian Government Position on the Murray Darling Basin Plan

The Victorian Government does not support the Guide to the proposed Murray-Darling Basin Plan and will not bring forward any review of Victoria's bulk water entitlement agreements, which are to stay in place until 2019.³ Victoria's current bulk water entitlements are an outcome of negotiations conducted by the Victorian Government in 2008 under the Murray Darling Basin Agreement.

This would mean Victoria would not be required to introduce water resource plans to meet proposed sustainable diversion limits (SDLs) until 2019. The MAV acknowledges the concern of the Authority in relation to inequity between the States on this issue, with other States needing to be compliant with the Basin Plan by 2014. The time lag between setting diversion limits and the introduction of these limits in Victoria could also have implications for the immediate and ongoing health of the Basin system as identified by the Authority.

Recommendation:

- *Development of the Basin Plan needs to be considerate of existing water management plans and programs in Victoria. Many of these plans and programs, such as the Northern Region Sustainable Water Strategy, have been developed following comprehensive consultation with regional communities, industry, local government and other bodies and must be considered in the finalisation of the Basin Plan.*
- *Furthermore, the Plan needs to consider the contribution and placement of major water infrastructure upgrades which have and will continue to occur in northern Victoria.*

³ The Victorian Liberal Nationals Coalition Plan for Water, p25, November 2010

4 Shared Issues for Local Government

4.1 Supporting Viable Communities

The powers, duties and functions of Victorian councils are set out in the Victorian Local *Government Act* 1989. The primary objective of councils is to achieve the best outcomes for their local community and to consider long term and cumulative effects of decisions. In doing so, councils must have regard to the following additional objectives:

- Promotion of the social, economic and environmental viability and sustainability of the municipal district
- Efficient use of resources to best meet the needs of the local community
- Improvement of the overall quality of life of people in the local community

Consequently, councils situated within the regions set out in the Guide have taken a key role in ensuring the concerns of their communities are heard so the viability and sustainability of their communities is supported.

Thus Victorian councils within the Basin regions are very concerned about the ongoing viability of their communities under proposed water reductions for consumptive use purposes. For example, the Shire of Campaspe has suggested the water reductions indicated in the Guide could impact significantly on its community. Job losses of approximately 5.4% across the municipality from a 25% reduction in water availability were identified in a study commissioned in 2009 investigating community resilience to possible water reductions within the Shire⁴. The council believes the community would be significantly affected by this level of reduction in employment opportunities.

Financial hardship, as a consequence of a long period of drought, has already had a significant impact on a range of individuals, families and communities across a number of municipalities and further uncertainty could lead to increased mental health problems and community break down.

4.2 Financial Sustainability

Many rural and regional areas in Victoria are already facing economic decline due to climate change exacerbated dryness, population decline and an ageing population. This economic decline directly impacts on the financial sustainability of councils.

Victorian councils across the state spend around \$5 billion annually to provide more than 100 different services to the communities they represent. Council services can be grouped into a number of broad categories, including general public services, health, welfare and community, planning and building, landuse management, environment and infrastructure and asset management.

In addition to service provision, Victorian local government is responsible for \$47 billion worth of assets and infrastructure including roads, bridges, town halls, recreation and leisure facilities, drains, libraries and parks – all of which contribute to the liveability of local areas. Councils also have responsibilities in land use planning, which significantly affects the location and standard of residential, commercial and industrial development⁵.

⁴ Shire of Campaspe Submission to the Guide to the Murray Darling Basin Plan, November 2010

⁵ MAV Submission Inquiry into the Impact of the Global Financial Crisis on Regional Australia, March 2009

Where reductions to water supply occur, the financial challenges councils already face as mentioned, will be exacerbated by reduced rate bases and thus councils will experience further significant financial hardship. As such, further consideration should be given to the potential challenges facing these communities if changes to the agricultural industry occur within these communities. As has occurred with industry restructure in the past, there may be a case for State and/or Commonwealth support during any period of adjustment.

Recommendation:

- *Irrigation-based agriculture is a key element in the economic base of northern Victorian communities. Consequently, councils within these regions are very concerned about the ongoing viability of their communities under proposed SDLs and should be engaged in social and economic assessments as part of the Basin Plan.*

4.3 Improving the Health of the Murray Darling Basin

One of the primary purposes of the Commonwealth *Water Act 2007* is to ensure environmentally sustainable levels of extraction (or take) from the Basin’s water resources. The *Water Act* defines an environmentally sustainable level of take as the amount of water that can be taken from a water resource, which if exceeded, would compromise its key environmental assets, including water dependent ecosystems, ecosystem services and functions. Currently the level of take from the Basin is compromising its key environmental assets.

The task of the Authority is to determine the amount of water which should be taken from the Basin for consumptive uses, whilst also ensuring the ongoing health of the river system. The Authority has established that the amount of increased surfacewater required for the environment is between 3,000 to 7,600 GL per year. Based on the requirement of the Authority under the *Water Act* to balance economic, social and environmental outcomes, only scenarios for increased water availability for the environment of between 3,000 GL per year and 4,000 GL per year are being proposed. This would represent a Basin-scale average 22–37% reduction in current surfacewater diversions for consumptive purposes.

The current health of the system and associated flora and fauna as outlined in the Guide is alarming. If 7,600 GL per year was returned to the system, then overall Basin catchments would be at a ‘good’ level of health. As measured by end of system flows, by returning 3,000 GL per year, the Authority estimates most Basin catchments in Victoria would remain in either poor or increase to a moderate level of health.

Since 1983, waterbird abundance in the Basin has declined by 80% and experts anticipate this downward trend will continue under current water management arrangements. Furthermore, native fish populations in the Basin are estimated to be about 10% of their pre-European levels and 16 out of the 35 native fish species are listed as threatened. The Authority predicts that increased environmental flows of 3,000 GL per year could slow the decline or maintain waterbird abundance, whereas 4,000 GL per year could lead to increased abundance. Fish species are expected to benefit from increased flows through improved conditions for breeding, with increased flows providing greater access to wetlands and floodplains, and triggering migration and spawning.

Recommendation:

- *The current poor health of the Basin and its associated flora and fauna is alarming. Clearer explanation of how and why increased environmental flows will improve the health of Basin ecosystems and populations of important flora and fauna species is needed to attain a greater level of community understanding and appreciation for the scale of the problem needed to be addressed.*

4.4 Irrigation-Based Agriculture

In Victoria, the irrigation industry is the second (behind manufacturing) largest export earner, with approximately \$1.8 billion in Gross Domestic Product (GDP) produced from Victoria's irrigation sector⁶. Victoria's irrigation farmers provide high quality produce for the domestic and export markets and a viable irrigation sector which minimises the environmental impact of water use is an important contributor to the prosperity of Victoria.

Irrigation-based agriculture, including horticulture, dairy and cropping, account for a substantial component of the agricultural production in northern Victoria and are a key element of its economic base and community. These industries contribute significantly to the viability of the region and as stated in the Guide, a significant proportion of farm expenditure (75%) takes place within regional communities in both towns and regional centres. Many towns which have been identified as highly reliant on irrigation expenditure are in the southern part of the Basin, including the Victorian Murray region. Decline in agricultural productivity will have consequences for the viability of regional economies and communities and therefore councils through a decline in the rateable base, leading to impacts on community services and infrastructure.

Councils in northern Victoria are also exploring changes to land use planning provisions for lot size. Shires of Campaspe, Moira and Greater Shepparton are currently in the early stages of amending their planning schemes to increase the minimum lot size for a dwelling and subdivision to 100 hectares from 40 hectares. This is an important shift and illustrates agricultural production is considered a key driver of the local economy in these regions.

4.5 Adapting to a Changing Climate

Climate change will reduce the environment's proportionate share of water far more than that of water users. Environmental flows could be halved in the Murray and reduced by up to 70 per cent in the Goulburn system. The uncertainty and potential severity of climate change requires much more adaptive and targeted management. Just as it may not be possible to maintain current irrigation levels in the region, ultimately, it may not be possible to meet all current environmental objectives⁷.

If regional Victoria is to prosper under a changing climate, then some fundamental work needs to be taken to ensure it is not in a situation of unacceptable vulnerability, including opportunities to diversify regional economies. While modernisation of irrigation systems and continued support for farming communities to adjust to reduced water availability is vital, diversified economic opportunities could assist in reducing the vulnerability of communities to change.

Recommendation:

- *Support is needed for continued diversification of regional economies, especially under changing climate scenarios.*

⁶ Water Efficiency and Irrigated Agriculture, A Project of the Vicwater Water Efficiency Taskforce, 2006

⁷ Northern Region Sustainable Water Strategy, Chapter 7, 2010

5 Sustainable Diversion Limits

5.1 Determination

Significant discrepancies between water targets for environmental flows between the Authority and the NRSWS to achieve improved environmental outcomes for Victorian Basin regions are of concern and require clarification.

Goulburn-Murray Water's Response to the Guide outlines the significant differences between water recovery targets for particular regions set out in the Victorian NRSWS and the sustainable diversion limits outlined in the Guide. For example, a decrease in use of between 442-593 GL (28-37%) is proposed for the Goulburn region in the Guide, while the NRSWS water recovery target for the region is 250 GL⁸.

Differences in water targets for environmental flows between the NRSWS and Basin Plan indicate there are varied approaches used to establish how environmental flows contribute to the improved health of Basin regions. Furthermore, it is noted the NRSWS states no additional water is required for environmental flows in the Kiewa, Ovens or Broken river systems, but the Guide outlines additional environmental water allocations through SDLs in these regions.

5.2 Proportional and Equitable Allocation of Environmental Flows

The MAV has concerns about the equitable contribution and distribution of sustainable diversion limits across Basin regions in Victoria, particularly where the proportion of water diverted by inception activities (i.e. farm dams, plantations) is high, and irrigation low. It appears that in these regions unfair disadvantage may be placed on irrigators to meet SDLs as it is difficult to control inception from farm dams and plantations.

For example, Goulburn Murray Water predicts that irrigation using regulated entitlements could effectively end in the smaller Broken, Campaspe, Loddon, Bullarook and Ovens basins. This is a consequence of the need to purchase a substantial proportion of entitlements to achieve proposed SDLs, because it is considered water savings could not be achieved through reductions in existing inception activities (farm dams, plantations) which make up a large proportion of water use in those regions.

Greater emphasis needs to be placed on how water savings can be achieved from inception activities, so that irrigators are not unfairly disadvantaged because their access to water is easier to control.

Recommendations:

- *With respect to existing water management plans in Victoria, clarification of differences in water targets for environmental flows between the Victorian NRSWS and the proposed SDLs in the Basin Plan is required.*
- *Further examination of the equitable contribution and distribution of SDLs across Basin regions in Victoria is sought, particularly where the proportion of water diverted by inception activities (i.e. farm dams, plantations) is high, and irrigation low, as it appears in these regions unfair disadvantage may be placed on irrigators to meet SDLs.*

⁸ Goulburn-Murray Water's Draft Response to the Murray-Darling Basin Authority's Guide to the Draft Basin Plan, November 2010

6 Social and Economic Considerations

The MAV acknowledges that while 3,000 to 7,600 GL per year is the range of additional water required to meet the environmental needs of the Basin, the Authority has judged any diversions greater than 4,000 GL per year would not enable the Authority to meet its obligations under the Water Act to optimise environmental, social and economic outcomes.

While the Guide provides some overview of the likely socio-economic impacts of the proposed SDLs on irrigation industries and regional communities, the MAV supports additional work being done to further investigate the social and economic impacts of the Basin Plan on communities and industry within the Basin regions and beyond.

Agriculture accounts for more than 80% of consumptive water use in the Basin (75% in Victoria or 2,500 GL per annum on average). The Guide outlines that changes to current diversion limits as a result of the Basin Plan will most significantly impact the agriculture sector, and more broadly, communities in the Basin where irrigated agriculture makes up a large component of the economic base. Consequently, the Authority's social and economic analysis has focussed on the implications of the proposed SDLs on irrigated agriculture and the communities which rely on the viability of the sector.

The Guide outlines that at an aggregate level, the Basic-wide estimated gross value of irrigated agricultural production would decline by approximately 13% (3,000 GL/y) to 17% (4,000 GL/y). Yet, proposed SDLs will have varied levels of impact on different agricultural practices. Annual and perennial horticulture is expected to experience relatively little change in gross value of production under proposed SDLs, whilst rice and cotton are expected to experience significant changes in gross value of production under proposed SDLs as illustrated in Figure 4.19 of the Technical Background to the Guide.

Greater understanding of the level of economic and social impact of proposed SDLs on the various forms of agricultural production for each Basin region is needed so that councils can better understand how their communities will be directly impacted. Additionally, the figures outlining reductions in gross value of irrigation agricultural production due to SDLs for the Murray-Darling Basin regions don't adequately explain why, or which, particular farming industries will be impacted. Nor does the economic modelling have a great enough level of detail on the impacts of proposed SDLs on regional communities, particularly those the Authority considers are at significant risk i.e. small towns based on rice and cotton industries.

Recommendation:

- *Irrigation-based agriculture is a key element of the economic base of northern Victorian communities. Consequently, councils within this region are very concerned about the ongoing viability of their communities under proposed SDLs and should be engaged in social and economic assessments as part of the development of the Basin Plan.*
- *Greater understanding of the potential social and economic implications of proposed SDLs for each of the Basin regions is needed and should include forms of agricultural production, any existing or planned modernisation of irrigation infrastructure and on-farm water efficiencies, economic diversity, population ageing and decline, and water buy-backs.*

7 Sustainable Water Use

Councils want to ensure water resources are managed in a way that meets the environmental, social and economic needs of their regions, and believe there are a range of opportunities for improved water use across the Basin which can contribute to a better outcome for the environment, without compromising the viability of regional communities.

7.1 Improving Water Use in Agricultural Production

Increasing environmental water allocations as a consequence of improvements through on-farm water efficiencies and irrigation distribution systems is supported by the MAV, but not in absence of them.

The irrigation sector accounts for 70 per cent of total water use in Victoria. Over recent years, the decline in availability of irrigation system water, coupled with environmental issues, has seen improved water use efficiency in agricultural production - a critical element in future planning for regional communities, particularly in northern Victoria.

Each year, an average of 700 to 800 GL per year of water is lost through evaporation, seepage, leakage and other recognised forms of inefficiency in the Goulburn Murray Irrigation District⁹. Improvements to water use efficiency on-farm and in irrigation systems are therefore vital to ensuring the sustainability of regional communities, whilst improving the health of the Basin system. The Northern Victorian Irrigation Renewal Project when completed (expected in 7 years) is projected to deliver total water savings of 425 GL per year.

Findings by the Australian Bureau of Agricultural and Resource Economics-Bureau of Rural Sciences (2010) estimate that the Commonwealth Governments *Water for the Future Program*, which includes \$5.8 billion for irrigation infrastructure upgrades (and \$3.1 billion for water purchases) will reduce the impacts of the Basin Plan on Gross Regional Product in 2018-2019 by nearly half, from 1.3 per cent (\$1 billion) to 0.7 per cent (\$570 million).

Examples of on-farm improvements in water practices, include subsurface drip irrigation in northern Victoria doubling tomato production and computerised drip irrigation halving water use and doubling of production in vineyards¹⁰.

Recommendation:

- *As a matter of priority focus on improvements to irrigation infrastructure and on-farm water efficiencies within the Basin, including projects committed to under the Commonwealth Government's Water for the Future Program*

7.2 Improving Water Use in Cities and Townships

Councils in Victoria have been long-time advocates for a diverse range of water efficiency and supply measures, particularly decentralised water supply solutions. At a municipal level there is a keen interest to further pursue water recycling, stormwater harvesting, wastewater reuse, sewer mining and water conservation behaviour change programs.

Councils have been at the forefront of implementing water efficiency and demand management measures to ensure the amenity and useability of public open space, sporting

⁹ Water for the Future – Fact Sheet, Northern Victoria Irrigation Renewal Project Stage 2, Department of Sustainability, Environment, Water, Population and Communities, November 2010

¹⁰ Water Efficiency and Irrigated Agriculture, A Project of the Vicwater Water Efficiency Taskforce, 2006

grounds and community facilities. It should be noted the range of water conservation measures implemented by councils vary regionally and depend on council capacity and resources. Consequently, a significant proportion of sustainable water use initiatives have been implemented by metropolitan councils.

Councils, as municipal leaders, are leading their communities by example and facilitating local water efficiency and supply solutions in partnership with the Victorian Government and industry experts. Partnerships between Commonwealth, State, and local government will be critical to enable expansion of localised supply solutions and continued community leadership.

As most of the population growth in Victoria, will occur in, and around, Melbourne and major regional centres, water efficiency and conservation practices will become important in these areas. Although urban water use is a small proportion of total water use across the State, it is important to use water resources as efficiently as possible, particularly in a forecast drying climate.

7.3 Alternative Approaches to Environmental Water Use

Additional water for the environment has been, and will continue to be, achieved through efficiency gains across the irrigation sector and water buy-back approaches. However, councils are interested in how alternative approaches to the management of environmental flows could be used and applied across the Basin. For example, engineering solutions to reduce the amount of water used for environmental flows could be the use of pumps to move water to wetlands or floodplains, rather than overland flooding.

The Guide only indicates changes to diversions for surfacewater use for Victoria, there are no groundwater use diversions proposed.

7.4 Water Entitlement Purchases

Victorian councils and their communities across the Basin have voiced their concern about water buy-backs as a means to increase water availability for environmental flows.

Water secured through the Commonwealth Government's *Water for the Future Program*, including \$3.1 billion for water buy-backs under the *Restoring the Balance Program*, are expected to reduce the gap between existing and new water use limits under the Basin Plan.

Recently the Commonwealth Government also committed to additional water entitlement purchases to bridge any remaining gap between the volumes of water secured through the above programs and any new SDLs for water use outlined in the Basin Plan¹¹.

Recommendation:

- *A strategic approach to land use change across the region needs to be taken as part of the water buy-back method of returning water to the environment. Councils are concerned about the impact an un-structured approach to buy-backs could have on communities and the future management of irrigation assets.*

¹¹ Australian Bureau of Agricultural and Resource Economics-Bureau of Rural Sciences, Assessing the regional impact of the Murray Darling Basin Plan and the Australian Government's Water for the Future Program in the Murray Darling Basin, October 2010

8 Development and Implementation

8.1 Incorporation of further Socio-Economic Investigations

The announcements of further socio-economic investigations into the proposed Basin Plan are welcomed by the MAV. However, the outcomes of these additional investigations will need to be considered in the development of the draft Basin Plan and thus original timeframes for the development of the Basin Plan need to be resolved and communicated to all stakeholders as soon as possible.

8.2 Implementing the Basin Plan at the State level

Although it is intended the Basin Plan will be operational from 2011, it will not legally affect the water resource plans of the states until current plans expire. While most water resource plans will need to be compliant with the Basin Plan by 2014, in the case of Victoria, full compliance could be delayed until 2019, an outcome of Victorian Government negotiations under the Murray Darling Basin Agreement. This is the intent of the new Victorian Government.

Due to the release of the Guide coinciding with caretaker provisions of the Victorian Government in the lead up to Victorian state elections held in November, it was difficult for the MAV to ascertain how the Plan and proposed SDLs set out in the Guide would be implemented at the State level. The MAV hopes greater clarity on this issue can be achieved through engagement with the new Victorian Government and others relevant to the implementation of the proposed Basin Plan at the Victorian level.

8.3 Engaging Councils and Communities

The MAV encourages an open and constructive dialogue between the Authority, the Victorian and Commonwealth Governments, including relevant departments, agencies and water authorities, in the development of the Plan. Consideration of existing Victorian water policies and programs is needed as many of the management responsibilities of the Basin Plan lie with the States.

The consultation approach used by the Authority on the Guide created a significant amount of community and industry unrest and concern. The MAV urges the Authority to take a more targeted and constructive approach to consultation on the draft Basin Plan to achieve productive dialogue with stakeholders and input into the Plan. Creating a community consensus to change will be a significant challenge and will require a collaborative approach between all levels of Government.

Recommendation:

- *The Authority and Commonwealth Government provide clarity as soon as possible with regard to timeframes for the development and projected finalisation of the Basin Plan, as a consequence of additional socio-economic investigations and inquiries being undertaken since the release of the Guide.*
- *Re-thinking the engagement and consultative process used to engage with regional communities, councils, industries, and other stakeholders in the development of the Basin Plan. A more constructive and targeted approach is required to address an erosion in community confidence in the Plan and what it is trying to achieve.*

9 Conclusion

This submission has focused on the wide range of issues for Victorian councils in regard to the proposed changes to the management of water resources across the Murray Darling Basin. The MAV acknowledges the Guide is a first step in a process of developing a new approach to water management across the Basin to address issues of over-allocation and poor ecological health.

The MAV has encouraged councils to participate in further work to be done by the Authority and the Commonwealth Government in assessing the social and economic impacts of proposed SDLs to ensure social, economic and environmental outcomes are balanced for their regions and communities.

The MAV will help facilitate dialogue between Victorian councils, the Authority, Commonwealth and Victorian Governments, and other relevant stakeholders, in relation to the development of the draft Basin Plan.