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Tony Windsor MP
Chair
House of Representatives Standing Committee on
Regional Australia
PO Box 6021
Parliament House
CANBERRA ACT 2600

BusinessSA
Your business is ours

Dear Mr Windsor

Business SA appreciates this opportunity to provide feedback and input into the impact of the proposed Murray Darling Basin Plan on Regional Australia.

Business SA (formerly known as the South Australian Employers' Chamber of Commerce and Industry) is the State's leading business membership organisation, representing thousands of businesses through direct membership and affiliated industry associations.

We represent businesses across all industry sectors ranging in size from micro-businesses to multi-national companies. Business SA is the voice of business in South Australia and advocates on behalf of business to propose legislative, regulatory, policy and program reforms to ensure sustainable economic development in the State.

The attached submission demonstrates Business SA's commitment to representing our members on the important issue of water security for South Australia.

We would welcome the opportunity to present to the Standing Committee in Murray Bridge on 18 January 2011.

Yours sincerely

Peter Vaughan
Chief Executive Officer

Inquiry into the impact of the Murray-Darling Basin Plan on Regional Australia

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Contents

Introduction

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We deliver a wide range of integrated services to business, including:

- lobbying and representation
- workplace relations advice
- consultancy services
- wide-ranging training programs
- reference publications and handbooks
- international trade services
- management of apprenticeships and traineeships.

As the peak employer organisation in South Australia, Business SA is well placed in representing the interests of members across most industries in South Australia.

Business SA has developed a set of principles and recommendations on water and water security for South Australia.

Principles:

- Access to affordable and high quality water is vital for businesses
- The security of water supply needs to be improved
- Competitive market forces, including trading and water prices, should drive investment in water infrastructure and water use
- Water supplies should become less dependent on the climate
- All governments in the Murray Darling Basin should treat the system as one so that environment flows are guaranteed, water is not over-allocated or allocated to inefficient uses, water can be traded across and within states to the highest value uses with minimal transaction costs and that water is used as efficiently as possible.

Recommendations:

1. That the Commonwealth take control of the entire Murray Darling Basin from the relevant State and Territory Governments in the next term of Government[1]

2. Expand the role of the Murray Darling Basin Authority so that it becomes the key independent regulator for rural water trading, pricing, licensing, water allocations for

[1] Federal Election 2010 Top Forty

irrigation, industry and critical human needs, **in addition** to setting Sustainable Diversion Limits under the Murray Darling Basin Plan

3. Consider structural adjustment packages for regions significantly impacted by the Murray Darling Basin Plan, particularly in terms of training and support for displaced workers, as well as encouraging business expansion in less water-reliant sectors

4. Expand and accelerate the *Sustainable Rural Water Use and Infrastructure Program* to ensure that it encourages innovative water technologies

5. Abolish restrictions on rural water trading.

Background

Water security is the foundation to South Australia's growth and prosperity. Businesses require strong leadership on water policy, ensuring a sustainable, affordable, quality supply of water.

As the peak employer organisation in South Australia, Business SA is well placed in representing the interest of members across most industries in South Australia.

With the proposed Murray Darling Basin Plan, impacts on South Australia will be felt. Business SA has developed the following submission in consultation with members that will focus on ensuring a robust, sustainable business environment for South Australia.

Business SA recently submitted a response to *the Guide*; key themes included:

1. South Australian business and communities have a secure, high quality source of water with the quantity of water determined by robust socio economic modelling and cultural consideration

2. South Australian irrigators and primary producers are amongst the most efficient in Australia and should not be disadvantaged for modernising systems and working within a capped environment for the past 40 years

3. Value added food sectors will require a level of assistance in operational change, restructure and further investment in research and development of alternative opportunities, ensuring sustainable regions and economies

4. Government responsibility to ensure established Sustainable Diversion Limits are fair and equitable with transparency around water trading, plus minimising red tape in implementation.

Water security for South Australian Businesses

South Australia is undoubtedly the driest state in the driest continent. Water and its continuing accessibility, affordability and responsible use are profound issues for South Australian business, industry and the community. South Australia's reliance on the River Murray and localised catchments within the Mount Lofty Ranges is significant with over 90 percent of the population accessing this water source in some way.

Directly, there are many industries that rely upon a high quality water supply, particularly agriculture, but also mining, construction, electricity supply and manufacturing. Reduced allocations to irrigators (due to drought) have impacted on seasonal crops as well as on permanent agricultural plantings along the River Murray, such as the important Riverland region of South Australia.

Indirectly, a decrease in productivity threatens the overall prosperity of local communities and the State. Other industries, such as tourism and recreation, also rely upon the general 'health' of river systems.

Business SA has advocated the need for South Australia's water supply to become less dependent on the River Murray, encouraging major investments in desalination, water recycling and enhanced stormwater harvesting. Business SA has also supported Commonwealth control of the basin and national consistency in water trading and water rights.

Business SA supports a secure sustainable system optimising the long term health of the Murray Darling Basin and appreciates the opportunity to comment on the proposed Murray Darling Basin Plan development. Acknowledgement from the Authority that additional work will be commissioned on economic, social and cultural impacts of proposed Sustainable Diversion Limits (SDLs) on basin communities, is welcomed. Business SA would like it noted that robust localised modelling must be undertaken, tested and included prior to delivery of the draft plan. Any other course of action would be unacceptable and unfair for river communities.

South Australia's position within the Basin

South Australia's position at the end of the Murray Darling system and the significant environmental issues observed at the Murray Mouth makes the implementation of a *no borders one basin plan* imperative. This must however be a plan that acknowledges all users across the entire system in a fair, equitable and transparent way.

One seventh of Australia's land mass is home to the Murray Darling Basin, over 1million km^2, including approximately 70,000 km^2 in South Australia. Historic extraction from the Basin for South Australia has been approximately 7% of water.

The Basin supports over 3.4[2] million people, including 2.1 million who live within the Basin itself, with another 1.3 million living outside of the Basin. Adelaide and country South Australia make up a significant number of the 1.3 million outside of the basin. Adelaide's reliance on the River Murray is dependent on localised catchments within the Mount Lofty Ranges, a small amount of storm water catchment, water reuse and a pending 100gl desalination plant.

South Australia has demonstrated a commitment to environmental assets and protection of the River System over many years by:

- Capping extractions in 1968
- Modernisation of irrigation infrastructure – delivery and on-farm
- Leading the nation in water recycling and reuse systems
- Industry developing and implementing water smart technology.

In summary, South Australia's reliance on the River Murray is far greater than the irrigation communities and supporting industries. Over 90 percent of the State has some reliance or connection to this valuable water source including business and industry; Business SA will continue to represent its members on the issue of greater water security.

[2] ABS data

Inquiry Terms of Reference

The direct and indirect impact of the Proposed Basin Plan on regional communities, including agricultural industries, local business activity and community wellbeing

Business SA acknowledges the work completed on behalf of the Murray Darling Basin Authority, in determining impacts on regional communities. Business SA attended the *Technical Workshop on Socio-Economic Effects of MDB Water Reform*[3]. While the modelling demonstrated is thorough and technically sound, variability whole of basin modelling does not paint the picture of actual community impact.

Critical Human Need

For South Australia a *no borders* approach to water management is welcomed, however under current conditions, this will mean that the established Sustainable Diversion Limits will be further reduced by the Critical Human Need (CHN) volume of 204gl.

Critical Human Needs water was identified by the Council of Australian Governments (March 26, 2008), as perhaps the single most important responsibility of the MDBA when developing the Basin Plan. *"The Basin Plan will recognise critical human needs as a priority and establish a decision-making process for determining the method for securing this water."*[4] Within *The Guide* the basis for this decision-making processes has not been identified. While a required CHN volume is nominated for each state, it is unclear as to how this volume will be secured and what the impact will be on other license holders.

If this water is to be secured under a state SDL, the impact must be from irrigation licences, as identified in the table below. South Australian licence holders will face a minimum 50 percent reduction which will severely disadvantage South Australia.

MDBA Guide (proposed returns)	3000 GL	3500GL	4000GL
CAP reductions under *The Guide* – SA (current identified CAP 665 GL)	173 GL	203 GL	232 GL
% reduction to SA across ALL licenses (including country towns and urban licenses)	26%	30%	35%
Proposed revised CAP as per guide – total proposed SA extraction	492 GL	462 GL	433 GL
Water available for use after removing urban and country towns*	298 GL	268 GL	239 GL

[3] ANU, December 14, 2010. Centre for water economics, environment and policy.
[4] http://www.coag.gov.au/coag_meeting_outcomes/2008-03-26/docs/attachment_a.rtf

% reduction in SA Water Allocation Plan irrigation entitlements (approx)*	50%	55%	60%

*assuming no reduction in River Murray license for stock and domestic, industrial, urban and country towns

Modelling of sub regions taking into account unique anomalies such as CHW for South Australia will provide a more detailed understanding of real community impacts.

Perennial Plantings

Monash University modelling factors "Land Water Constraint" for irrigation in South Australia is very important. Land Water Constraint indicated where irrigation was predominately perennial plantings, conversion to other farming was difficult and costly, indicating also differences between the irrigated horticulture activities and dry land agriculture in the landscape. Much of South Australia's irrigation is perennial planting and once again the modelling, while indicating the difficulties, when included in the whole of basin data became lost as an impact of local communities.

Infrastructure

Included in modelling across the basin has been the opportunity of over $5 billion of infrastructure investment. This investment will create job and business opportunities over the life of the program, minimising short term job impacts. Once again this modelling must be localised. For South Australia, where irrigation delivery and watering systems are predominately at a best practice model, minimal infrastructure investment will occur placing regional communities at greater risk.

Regional growth and sustainability

Business SA supports population growth, along with removing barriers to ensure regional businesses are not disadvantaged because of location.

ABS data indicates South Australia has two of the top four fastest growing towns in the Murray Darling Basin, Mount Barker (1) and Murray Bridge (4). Business SA believes regional and rural South Australia are important drivers of wealth for the South Australian economy, particularly regarding agriculture and mining.

Business SA believes water security is fundamental to this continued growth and opportunity, and as such recommends greater localised understanding of communities and impacts is required. The flow on effect into greater South Australia must also be included in any proposed SDLs.

Water Trading

Water trading is essential in ensuring water goes to the most productive use. Current barriers around interstate trade pose a threat to an effective water trading regime, influencing where water is traded from. It is essential for the Basin Plan to address current barriers to trade and ensure consistent interstate rules apply. In developing robust water trading regime in Australia, water must be able to be traded to the most valuable user.

Independent management

Current understanding of the direct and indirect impact of the proposed plan on regional communities is difficult. Business SA believes this is compounded by the limitations of the *Water Act (Cwlth) 2007*, were States still have responsibility for the identified Sustainable Diversion Limit.

A true *no borders* independent approach would provide communities with certainty and ability to plan once SDLs are established. This however is not the case and State Water Allocation Plans add another level of complexity and uncertainty to communities.

True independent management would ensure equity in water storage, consistency in water sharing arrangements, consistency in carry over arrangements, along with consistency in managing the soon to be biggest water holder, the Commonwealth Environmental Water Holder.

Options for water-saving measures or water return on a region-by-region basis with consideration given to an analysis of actual usage versus licence entitlement over the preceding fifteen years

Irrigation Efficiencies

South Australia capped extractions in 1968, with Eastern States capping to 1995 extraction levels in the late 90s. From the late 1960s South Australian irrigators invested in water efficiencies and innovative crop management. Expansion of plantings was based on best practice principles and efficiencies, with active research and development driving practices. Water savings during this modernisation of South Australian irrigation practices were in part returned to the State Government and subsequently to the *Living Murray* initiative.

Between 1968 and 1995 over 2500Gls of additional water licences were allocated up stream, while South Australia operated under a developed sustainable cap. With the release of *The Guide* and round of consultations, there was no acknowledgement by the MDB Authority CEO, of South Australia's early capping and efficiencies when determining SDLs for SA Murray license holders. South Australian irrigators are among the most efficient in the system. Removing up to 35 percent (prior to CHN) will cause major losses to highly efficient irrigators.

In developing equitable diversion limits across the basin, there must be an established benchmark of best practice, with both delivery and irrigation systems measured against a highly efficient benchmark. Current proposed SDLs lack a credible model of determining sustainable practices. Development of a model that encourages efficiencies in determining reductions will ensure optimum savings and best practice, sustainable farming. Renmark Irrigation Trust, under the CSIRO hotspot delivery efficiency program, was acknowledged as having 97 percent efficient delivery system, making it an ideal benchmark for all delivery systems across the basin.

Infrastructure

Identified within *The Guide* are clear opportunities to recover water through efficiency programs, linked directly to the $5.8 billion water efficiency program. The extent of full water savings is unclear if infrastructure along the basin was at a best practice level; the cost of these upgrades is also unclear. Ensuring all irrigation delivery systems are modernised, efficiencies calculated and gained, socialising of savings could occur providing an even starting point when looking at water returns from licence holders. All savings through water efficiencies must be socialised, with SDLs adjusted equitably after savings are acknowledged.

Within *The Guide* is the acknowledgement of inefficiencies in irrigation infrastructure in upstream locations. Supporting this opportunity for modernisation is funding under *Water for the Future*. Proposed water savings through efficiencies will be off set against proposed reductions for the particular catchment region.
South Australia is at a distinct disadvantage with the *Sustainable Rural Water Use and Infrastructure Program*, with infrastructure upgrades returning minimal water and very few opportunities existing for water recovery due to already very efficient systems. All water identified to be returned must come from irrigation licences.

This region by region approach will provide ALL communities the opportunity to modernise, optimise and diversify irrigation practices, while providing efficiency returns. Employing a methodology of best practice, Commonwealth water purchase will only be from willing sellers. Irrigation communities will not feel threatened.

Urban water reuse

Business SA believes there needs to be greater encouragement of investment into water supply infrastructure that is independent of the River Murray, particularly wastewater recycling, stormwater harvesting and desalination.

Environmental water management

The Murray Darling Basin has key ecological sites recognised under international convention, over two million tonnes of salt accumulating in the Lower Lakes annually and wetland health

under threat. Establishing an end of system flow is essential for health of the river system as a whole.

Establishment of best practice environmental management is also essential. The Murray Darling system is a highly variable system; photos exist of the Berri Primary School holding their school picnic on the river bed in the 1915 drought, along with photos of the shops on high street in Mannum under water in 1956. Current irrigation practices across the basin may not be sustainable but a balance must be negotiated to ensure optimum economic opportunities with optimum environmental management.

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.

Innovation

Innovation and Research has been the cornerstone to successful farming practices along the South Australian River Murray corridor for many decades. Water and crop monitoring is at an optimum with dynamic science leading many irrigation practices. This investment by irrigators and industry has and will continue to drive best practice models. Farmers' choices are being guided by knowledge; this must be acknowledged and commended.

Business SA continues to support the need for research and development of modern technologies and cropping types. Climate change impacts will add another dimension to this very complex issue of water variability.

Business SA believes in support for farmers to adapt their operations to climate change and become more resilient to drought, including the ability to generate carbon offsets by changes to agricultural practices that cut greenhouse gas emissions (in addition to planting trees).

Business SA also supports the increase in research and development into methods to raise agricultural productivity and remove regulatory impediments to the commercial viability of genetically modified agricultural products.

Role of governments

As mentioned previously, establishing a best practice base line for irrigation and water efficiency is a responsible way for government to support water based industry within the Murray Darling Basin.

A number of industries will be affected, some to a greater extent than others; some regions more affected than others. The challenge is for government to work at all levels to minimise community impact, while maximising community opportunity. All governments should support the development of progressive regions with opportunities in new and emerging growth industries, supporting training and workforce development, while empowering business

opportunity. Ensuring regional infrastructure is maintained, such as transport and services will minimise long term impacts on regional communities.

Structural adjustments

Murray Darling reform, as it is currently occurring, will be one of the biggest reform processes undertaken by an Australian government. This reform provides for change, which can lead to positive long term adjustments.

Structural adjustments should not only be in the form of exit grants or focus solely on water buy backs. Infrastructure adjustment, while a costly alternative, can provide sustainable viable communities into the future. Success will have been achieved if adjustment provides future generations the opportunity for food security and water sustainability with balanced environmental management.