

(Submission by Email to: [eca.sen@aph.gov.au](mailto:eca.sen@aph.gov.au).)

The Secretary

Senate Standing Committee on Environment, Communications and the Arts, Parliament House,  
Canberra, ACT 2600

**Inquiry into the Water Amendment (Saving the Goulburn and Murray Rivers) Bill 2008**

Submission by Peter Murray  
Due 30<sup>th</sup> January 2009

I express my strong support for the Water Amendment (Saving the Goulburn and Murray Rivers) Bill 2008 and appreciate the opportunity to contribute to the Senate Committee Inquiry.

The COAG agreement leaving the Goulburn and Murrumbidgee river flow directions with State Authorities is flawed and should be substantially re-ordered.

In any plan for the Murray – Darling Basin that recognizes over allocation of water and a fragmentation of management, it is becoming ever clearer that the COAG COMMUNIQUE of 26 March 2008 advising “*State authorities will make river flow directions for the Goulburn and Murrumbidgee Rivers*” encompasses a seriously flawed decision.

The decision should now be readily seen as an unsustainable anomaly, in that the preamble<sup>i</sup> to the Agreement on Murray-Darling Basin Reform specifically mentions the Goulburn River, its iconic status and confirms its inclusion as part of the Murray Darling Basin. Further the preamble acknowledges. “*The Murray-Darling Basin covers one-seventh of Australia. The Basin is one of our country’s most important social, economic and environmental resources. The Murray, Murrumbidgee, Lachlan, Darling, Goulburn and Condamine-Balonne rivers are iconic parts of Australia’s identity. Three million Australians, living within and outside the Basin, are directly dependent on its water. Economically, the Basin supports an agricultural industry worth more than \$9 billion per annum. Environmentally, the Murray-Darling Basin has 16 internationally recognised wetlands*”.

The absence of integrated control over the Goulburn and Murrumbidgee Rivers is also a major constraint on the COAG decision that heralds - “*there will be a new, cooperative approach to environmental water management by the Parties,*”- by limiting the field of

operations so that existing and possibly new programs of the States affecting these rivers are not adequately controlled.

The Murray-Darling Basin Reform – Memorandum of Understanding March 2008 states - “The Commonwealth agrees to bring forward the risk assignment framework in the National Water Initiative, and incorporated in the Water Act 2007, to commence from the date at which existing water resource plans in the Murray-Darling Basin cease to have effect” – is illustrative of this anomaly when State plans remain in place to 2019 in the case of Victoria.

*This anomaly has been widely condemned, for example the Nationals Member for Benalla Dr Sykes, speaking in Victorian Parliament on the Water (Commonwealth Powers) Bill, said “The Goulburn River is a major tributary to the Murray River and it has been shown to be in very poor environmental condition. One has to ask the question, why has it been excluded from this plan to improve the environmental management of the whole Murray Darling Basin and the communities and irrigators in that area?”*

*“Many have concluded that the reason the Goulburn has been excluded is because the Brumby Government wants to take water from the drought-stricken Murray Darling Basin to flush it down the toilets of Melbourne.”*

*Dr Sykes reiterated his concerns with the implications of the North-South Pipeline and the plans to pipe 75GL of water to Melbourne regardless of the savings actually achieved by the Food Bowl Modernisation Project.*

*“In fact the Government intends to deliver that 75GL of water by borrowing from commitments that have been made the Living Murray program, from savings resulting from earlier projects under Central Goulburn projects 1, 2, 3 and 4, and as I understand it, from the Lake Mokoan decommissioning. The other borrowing the government is doing is from the environmental reserves, he said.*

*“The calculated savings of 75GL per year are based on losses of 800 to 900GL a year. In reality, in dry years the losses are in fact less than 400GL a year. Clearly, if you do not have losses, it is difficult to have savings.*

*Dr Sykes added, “The reality is that Melbourne will take its water, regardless of the savings that are achieved. It will drain precious water from the Murray Darling-Basin”.*

*In closing Dr Sykes raised further concern that if the Goulburn system was excluded from the Murray-Darling Basin agreement then it may result in differing rules applying in adjoining catchments, for example the Ovens and King Rivers in the Benalla Electorate.*

**The Senate Rural and Regional Affairs and Transport Committee inquiry and report on the Coorong and Lower Lakes<sup>1</sup> released on Friday October 10, 2008 includes the following comments and recommendations in regard to the North-South Pipeline and its effect on the health of the Murray Darling Basin.**

5.76 The (majority) committee (report) *“emphasised the importance of the Minister for Environment, Heritage and the Arts' conditions of approval for the SugarLoaf Pipeline (North-South Pipeline), and **believe it would be inappropriate for the Victorian Government to use this pipeline in ways that would reduce flows in the River Murray**”.*

*Committee members Senator Xenophon and the Greens reported:*

1.76 *Given the huge problem that already exists with over-allocation within the Basin all of the water being saved through efficiency measures should be returned to the river. **While we strongly dispute the claimed level of savings from the Victorian 'Foodbowl' project it is clear that any savings need to go to the system, not to Melbourne.***

***Coalition Members of the Committee reported:***

1.49 *The decision to build the pipeline gives priority to the interests of Melbourne, a city outside of the Basin area, over other communities, with no convincing evidence as to why that should be so. Nonsensically, it increases the reliance of one major city on the system, just at the time when other major cities, notably Adelaide, are responding to pressure to decrease their reliance on the system.*

1.50 ***Even if cited water savings can be found, about which Coalition Senators are very doubtful, to provide for the pumping of 75 to 110 GL to Melbourne, the redistribution of this water from the Goulburn will clearly have a detrimental impact on communities to the north, as well as flows into the Lower Lakes and Coorong.***

Despite this the Federal Water Amendment Bill has passed Parliament ostensibly because of the promise of major Federal Funding driving the interest of the basin States, added to widespread political ineptitude and lack of vision.

The Water Amendment (Saving the Goulburn and Murray Rivers) Bill 2008 provides the opportunity to redress this major anomaly - indeed scandal – highlighted by a major new customer Melbourne planning to draw from the rapidly depleting water reserves of the Murray Darling Basin.

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<sup>1</sup> [http://www.aph.gov.au/Senate/committee/rrat\\_ctte/lowerlakes\\_coorong/report/report.pdf](http://www.aph.gov.au/Senate/committee/rrat_ctte/lowerlakes_coorong/report/report.pdf)

For example the recently published *Murray-Darling Basin Rivers: Sustainable Rivers Audit*<sup>ii</sup> report on the ecological health of rivers in the Murray-Darling Basin, study flagging possible reduced water availability, affecting the Goulburn-Broken River system, of up to 41%, it is incumbent on all governments to act prudently in the public interest and not promote a project (the Sugar loaf Interconnector, or North-South Pipeline) reliant on unachievable savings.

**Furthermore the Auditor General 's report "Planning for Water Infrastructure in Victoria"<sup>iii</sup> released on the 9<sup>th</sup> April, 2008 confirmed that savings were unverified recommending in the Executive Summary dot point 1.3 "*DSE should publish the detailed analysis underpinning the estimates of water savings and costs for the food bowl modernisation project*". Despite calls from groups as varied as the CWA, the VFF and a large majority of Municipal Councils; to date no verification has been provided and this is in the face of very significant community opposition<sup>2</sup> to the pipeline concept.**

The North-South Pipeline (Sugar Loaf interconnector) of approximately 70 kilometres in length from the Goulburn River near Yea, Victoria is planned to provide Melbourne with 75GI (gigalitres) of water sourced from the Murray Darling Basin by 2010. Its justification has been based on gaining "savings" of 225GI from Stage 1 of the Food Bowl Modernisation Project (Northern Victorian Irrigation Areas), with the projected savings split three ways between Melbourne Water, the environment and the irrigators.

In the interim the Victorian Government plans to purchase water from the Goulburn River water quality reserve<sup>3</sup> held in Lake Eildon to operate the pipeline in 2010-2011 – a measure that has a detrimental effect on the Goulburn-Murray River system and hence matters listed under the EPBC Act in Sections 16,17B, 18,18A and 20.

**The following is an unofficial, but credible assessment of water delivery based on Goulburn Murray Water official figures and government statements relating to the Food Bowl affected area.**

---Unaccounted water flows (losses) were 380 GI for the past season, with the 15 year average loss 761 GI, for 71% efficiency over the whole of the irrigation system. Taking an optimistic scenario - the 15 year average - and the projected

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<sup>2</sup> For example the latest metropolitan media poll, in the Herald Sun reported Friday 8<sup>th</sup> August 2008, showed support for the pipeline at just over four per cent of the 4425 people who responded. (Note the exceptionally high response to a poll of this nature).

<sup>3</sup> Project Impact Assessment (PIA) report – Appendices C - Environmental Implications of Transferring Water Report 169 Appendix 3 Goulburn River Implications Page 12

level of 85% efficiency from modernisation<sup>4</sup>; deducting existing environmental commitments of 70GI to the Living Murray initiative, 100GI for the Snowy River and 100GI for the Kerang Lakes (a Ramsar listed wetland); the potential saving are only an estimated 97GI over the whole system, falling far short of even the promised additional savings of 225GI from Stage 1 of the modernisation.

When the projected “savings”- 200GI, from the Second Stage of Irrigation Modernisation are taken into account, there is an overall deficit (shortfall) of 338gl. The effect of this is there are only minimal savings available to be added to the existing environmental commitments from the whole of the irrigation modernisation – Stages 1 and 2. (e.g. one third share of 97GI).

Despite this the Victorian Government Minister for Water, Tim Holding continues to state publically, that based on an annual loss of around 800GI, the required savings of 225GI stage 1 and 200GI Stage 2 can be achieved. However, these assertions are seriously in error, as at the projected efficiency rate of 85% only approximately half this loss is recoverable and there is no allowance for the existing environmental commitments to the Living Murray, Snowy River and the Kerang wetlands, that would leave little more than an additional 100GI per annum to be shared between the irrigators, the environment and Melbourne Water.

In the light of this it should be noted “the Commonwealth Government has agreed in principle to fund 90 percent of the total project costs, up to \$1 billion, of the Stage Two Food Bowl Project in Victoria, subject to a joint due diligence assessment and the delivery of half the gain in additional flows (around 100 billion litres) to environmental flows into the Murray River”. (Ref COAG Communique March 2008 Page 11)

With the projected level of savings unachievable and water diverted from the basin clearly a drain on potential environmental flows, the Sugar-Loaf interconnector (North-South Pipeline) should not be built - the loss to the environment and food security is too great.

Furthermore it is economically unsound. With the pipeline itself costing at least \$750m, with Melbourne having committed to a desalination plant and with other less costly alternative sources of supply available. These include recycling for industry and viable dam sites that could also serve to better regulate environmental flows to the Gippsland Lakes.

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<sup>4</sup> The targeted efficiency of 85% is considered to be at the top of expectations as only approx. 1% of the channels are to be piped

As the \$1billion funding of Stage 1 of the modernisation (now underway) is funded - \$300m by Melbourne Water, \$600m by Victorian taxpayers and \$100m by irrigators - Melbourne Water's contribution of \$300m should be provided by the Federal Government to further ensure this major drain on river flows in the Murray Darling system is extinguished.

The plan (subject to due diligence) by the Commonwealth to fund Stage 2 of the modernisation, in the light of the projected unrealistic level of savings for the Food Bowl Modernisation should be reviewed – the insignificant benefit to environmental flows could not be seen to justify the expenditure.

A more equitable and cost effective means of adding to environmental flows should be found elsewhere, perhaps involving funding of on-farm irrigation methods in the Food Bowl area that may achieve real savings, and benefit both the environment and food security.

#### Increasing Environmental Flows -Environmental Water Reserves.

The COAG endorsed strategy of seeking an urgent increase in environmental water flows, is threatening previously viable agriculture pursuits over a wide area, particularly in the Murray-Darling Basin. Increasingly, much of the demand comes from numerous, predominantly urban based environmental groups that are effectively “anti” irrigation and want first call on available water for rivers.

Without the existing storages, built primarily for irrigation and electricity generation, the Murray River and many tributaries would be little more than dry water courses similar to the experience of previous prolonged droughts, the former being around 1945. It is only the presence of these dams that has provided the regulated flows that have averted even more serious environmental damage to major waterways.

Whilst it is important that South Australian interests, for the environment, critical human needs and irrigators are catered for, this should not be achieved by the Commonwealth Government and other government funded groups taking the line of least resistance forcing the removal of the cap on diversions to buy up water from distressed irrigators, or whole farms without regard to the viability of the remaining infrastructure and food security.

The fact is there is little or no (actual) water to buy in this prolonged drought.

In a MDB Basin report, (ABC Country Hour, 2008-09-02), MDBC CEO Wendy Craik made mention of a significant rainfall event in the Ovens River Valley and the necessity of keeping Lake Mulwala at a low level to store the windfall flow.

This stop gap measure calls for the building of additional storage within the MDBA primarily for environmental purposes. Two storage dams which over-topped earlier this year - Lake Buffalo and Lake William Hovell have the capacity to be enlarged. Specific plans have been in place for the enlarged Buffalo Dam since the late 60's including the land being in government ownership, but have not progressed due to the Victorian Government's anti dam policy.

With these storages in place, the regulation of environmental river flows serving the Murray Darling Basin would be significantly improved – whilst not breaching the basin cap.

Portion of the Commonwealth funds currently being expended “buying water entitlement”, but no available water, would be better utilised preparing for the future by funding the enlargement of Lake Buffalo and Lake William Hovell, primarily for increased environmental storage.

Should the lower SA lakes remain as a fresh water environment, urgent measures are required to reduce the unacceptably high annual losses incurred through evaporation. (This may then become another area of intrastate water delivery requiring significant Commonwealth funding).

#### Scientific study of environmental water needs

The quantum of water required to preserve the environment, the priorities and means of distribution must be scientifically based – there have been calls by environmentalists for as much as 3000Gl per annum to be set aside for the environment - an amount that would devastate rural communities and food security.

The science of the health of the Murray River Basin has been found by an earlier Federal Government instigated inquiry to be so little known that there was no sound basis on which to allocate environmental flows. Whilst there have been a number of significant studies completed of late the absence of a co-ordinated plan is stark.

Current government policies, despite the greatly reduced in-flows from drought affected streams, call for a massive increase in environmental flows, fuelling governments at several levels entering the water market. Given the dominant nature these major players have on the market; there is a much greater urgency for rigorous scientific studies to be completed and circulated widely. Meanwhile there should be no increase in environmental flows, only limited dilution flows.

In this regard the article *Downsize Murray Plan* (The Australian, 6 September 2008 , page 9) quoting Prof. Mike Young, viz “*One option requiring careful, cold and technical study, was to seal off areas where water pooled to limit evaporative losses and preserve*

*the main river channels . This could include ecologically important wetlands, dams and lakes –“suggests a proposal that should receive serious consideration in any scientific study of the Basin.*

### Water Trading

The complexity of the water issue is undisputed and calls for a unified and national approach. It is high time that unbundling of water rights from land and water trading is seen as a device for removing water from farms, diverting it to the urban areas, thus forcing up the price of water and with it food to the detriment of the masses..

For example the “Northern Region Sustainable Water Strategy”, a major Victorian Government policy document to guide future water policy has many market driven features, ominously stating - *“None is more critical than the expansion of the water (pipeline) grid”* – for which the Commonwealth has already provided some funding for the GoldFields Super Pipe that serves Bendigo and Ballarat. (It should be noted Ballarat lies outside the MDB and a major portion of water for the pipe for the past season was sourced from the environmental water reserve held in Lake Eildon).

Within the planned grid the Sugarloaf Interconnector pipeline to serve Melbourne and the other pipelines planned to link all major urban areas of Victoria, together with the planned link of the Murray system to the Goulburn system<sup>5</sup> are part of a grand scheme of water trading, both intrastate and interstate.

In highlighting the benefits of expanding the water grid, the document reveals water trading as a “Trojan horse” within rural communities and the Victorian pipelines, now under construction as a conduit with vast potential for urban areas to outbid the rural areas for water.

Governments at all levels are complicit in this mishandling of our water resources which goes against FAO and World Bank Research that argues strongly that the primary allocation of water between sectors has to be done by governments and that it cannot be done by markets. This recognises that water is not a private good, but a mixed good with many public good characteristics.

Clearly water trading is a strategy that permeates the COAG agreements on water that aids and abets the water trading policy of the States, particularly Victoria where substantial Commonwealth funding has helped endorse their pipeline grid.

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<sup>5</sup> Ref. Barmah Choke – Agreement for MDBC to accelerate feasibility study - COAG March 2008 Communique para. 22 Page 12. .



## High Value Agriculture

Further; trading water from low value to high value agriculture is a flawed concept:

Australia needs low value products to provide low cost quality food to both domestic consumers and overseas markets. Over investment in high value products (generated from unfettered water trading) turns today's high value products into tomorrow's low value products.

Farmers already act on market forces to shift to high value agriculture. Water trading is not essential to their increasing output. This is quite evident with the growing productivity from their innovations over the years.

## Managed Investment Schemes (MIS)

Most permanent water trade (until recent government intervention in the water market) has been to managed investment schemes (MIS) that have been driven by government tax breaks, not market forces. Moreover many of MIS involve new land opening for irrigation, often distant from major supply sources, with consequent high levels of evaporation in delivery.

Open water trade has seen MIS, water barons, urban areas, industry and the massive involvement of governments purchasing water for the environment, drive up the price of water beyond the reach of most forms of agriculture.

Given the effect of prolonged drought on many farmers viability, with many receiving close to zero allocations over several past years, many are forced sellers of water. This is inequitable and leads to stranded assets and higher maintenance and delivery costs to be borne by fewer consumers. It also has detrimental social effects on many communities.

Basically the real value of water, taking into account community benefits is substantially greater than that being realised through the market

## Urban Water Supplies

Finally, governments particularly in Victoria must build new dams and invest in alternative water sources to avoid reliance on the water market, particularly for urban water supplies. Whilst desalination is an obvious alternative, storm water storage in aquifers for use in industry and on parks and gardens has much promise.

The alternative, particularly the model underway in Victoria, drawing on the highly depleted irrigation storage (Eildon Reservoir) to supply major urban areas, will

devastate large areas of irrigated agriculture causing massive social disruption and great environmental damage.

To justify such gross inequity the Government uses what has to be emphasized is a partial upgrade of a significant State Government owned asset (the Irrigation System) that produces the food that is essential for the people of Melbourne and beyond, as reason to take water from this highly stressed system.

It puts at risk the future security and investment in a real food bowl that contributes annually over \$8 Billion to the GDP of the State's economy and is the source of the majority of the fresh, clean food and milk coming from our Supermarkets

#### A change of focus – relevant expertise required

Finally, water policy is of such critical importance that the peak body Murray Darling Basin Authority must include experts in irrigated agriculture and water supply that are not beholden to market driven forces, to undertake a National Water Initiative that ensures a full and professional overhauling.

For example, where is there an adequate understanding of the complexities of water delivery, with more than 24 different water entitlements in the Murray Darling Basin alone?

For too long water policy, has on the one hand been beholden to the influence of the Wentworth Group of scientists, centering on water trading and on the other hand, conservation based groups with an anti-irrigation bias. It is time to re-emphasise the importance of irrigation for food security and the maintenance of sound regional economies in the Basin.

#### Accordingly:

- The river flow directions for the Goulburn and Murrumbidgee Rivers must be subject to the control of the Murray Darling Basin Authority to fulfil the new, much heralded cooperative approach to water management by the Parties.
- The Sugarloaf Interconnector (pipeline) planned to deliver water from the Murray Darling Basin to Melbourne is environmentally damaging to the Murray Darling Basin River systems and must not proceed. The associated Food Bowl Modernisation project falls far short of the projected water "savings" and the planned allocation of Commonwealth funding should be reviewed.
- The building of additional storage capacity primarily for improved regulation of environmental flows should be a priority for Commonwealth funding. In

conjunction with this, a complete scientifically based evaluation of the Basin's environmental needs is essential.

- Permanent trading of water rights is destructive of the orderly management of water and should be greatly limited in application and replaced with an expanded role for central government, to effect an equitable balance in water use, to ensure food security and the basin wide urban and environmental needs. The paper by Bruce Haigh 'Feudal water trading plan will create cartels' provides an important summary of the failures of water trading<sup>iv</sup>.
- It is imperative that this Senate inquiry and the new MDB Authority have the benefit of the expertise of water professionals that are not highly influenced by an adherence to water trading as a central plank of policy.

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<sup>i</sup> (COAG) Intergovernmental Agreement on Murray Darling Basin Reform, July 2008 page 83.  
<http://www.nwc.gov.au/resources/documents/Aus-Water-Management-PRES-090708.pdf>

<sup>ii</sup> *Murray-Darling Basin Rivers: Sustainable Rivers Audit* A report on the ecological health of rivers in the Murray-Darling Basin, 2004–2007 [http://www.mdbc.gov.au/\\_\\_data/page/2260/SRA\\_Report\\_1\\_June2008\\_small.pdf](http://www.mdbc.gov.au/__data/page/2260/SRA_Report_1_June2008_small.pdf)

<sup>iii</sup> The Victorian Auditor General 's report "Planning for Water Infrastructure in Victoria released on the 9<sup>th</sup> April, 2008  
[http://www.audit.vic.gov.au/reports\\_publications/reports\\_by\\_year/2008/20080409\\_water\\_infrastructure/1\\_executive\\_summary.aspx](http://www.audit.vic.gov.au/reports_publications/reports_by_year/2008/20080409_water_infrastructure/1_executive_summary.aspx)

<sup>iv</sup> Feudal water trading plan will create cartels  
<http://www.abc.net.au/news/stories/2008/05/02/2233307.htm>