

Additional Comments by Nick Xenophon

Independent Senator for South Australia

1.1 There is absolutely no question we need a plan for this critically important river system, but there is considerable evidence suggesting the current version of the Proposed Basin Plan will not achieve any of its key objectives. Further, it will cause undue financial and social stress for the communities whose livelihoods depend solely on a healthy Murray-Darling Basin system.

1.2 In particular, the current Plan will not secure South Australia's future – it will not protect the Ramsar wetlands, ecosystems and wildlife. Nor will it give South Australian irrigators a fair go.

1.3 The Plan must be amended and the Murray-Darling Basin Authority (MDBA) must undertake fresh modelling urgently.

1.4 If this plan is not amended and it passes Parliament in its current form, we will continue to perpetuate the failures that have occurred since Federation when it comes to managing this vital resource.

1.5 As detailed in the majority report, the latest version of the Murray-Darling Basin Plan, again proposes a sustainable diversion limit which would result in a return to the environment of 2750 GL/y of water for the Murray-Darling River System.

1.6 This is the same SDL put forward by the MDBA in previous drafts of the Basin Plan. It is worth noting that this SDL is significantly less than the proposals of the Guide to the Proposed Basin Plan, which suggested the minimum amount of water needed to protect the environment was 3000 GL/y.

1.7 This is particularly alarming given the weight of evidence that suggests the 2750 GL figure will not be sufficient to flush 2 million tonnes of salt from the system each year.

1.8 I refer to the work of The Wentworth Group of Concerned Scientists, which comprises of some of Australia's best environmental scientists and engineers. They state:

Our fundamental objection is that none of the 2011 draft Basin Plan documents provide even the most basic information as to the volumes or timing of water that are required to give a reasonable prospect of achieving these objectives.¹

1.9 Similarly, the Goyder Institute for Water Research concluded that *"the ecological character of the South Australian environmental assets, as defined in current water management plans, is unlikely to be maintained under the Basin Plan 2750 scenario"*.²

1.10 Given these substantial concerns, it is critical that new modelling is undertaken urgently.

Recommendation 1

The MDBA publicly release a non-technical explanation of the assumptions used to develop the 2750 GL/y.

Recommendation 2

The MDBA conduct urgent modelling of a number of figures above the 2750 GL/y figure, up to 4000 GL/y. This modelling must be publicly released with a both a technical and non-technical explanation and conducted in a timely manner.

Recommendation 3

The Murray-Darling Basin Plan is delayed until such modelling is completed.

1 Wentworth Group of Concerned Scientists, *Statement on the 2011 Draft Basin Plan*, January 2012, p. 6.

2 Goyder Institute for Water Research, *Expert Panel Assessment of the Likely Ecological Consequences in South Australia of the Proposed Murray-Darling Basin Plan*, 2 April 2012, p. viii.

1.11 There are serious concerns regarding the transparency and fairness of the Federal Government process for awarding taxpayer-funded grants of funding to irrigators.

1.12 In June 2012, the Australian National Audit Office (ANAO) report *Administration of the Private Irrigation Infrastructure Operators Program in New South Wales*, raised some serious concerns regarding the operation of this program – a key component of the Federal Government's \$5.8 billion Sustainable Rural Water Use and Infrastructure Program.

1.13 The ANAO's report concluded that all applications from funding rounds one and two of the New South Wales program – which collected a total \$649 million of taxpayers' money – *'did not contain sufficient detail to facilitate a thorough assessment, particularly in relation to addressing the economic/social criteria, environmental criteria and the projects' cost-benefit analyses'*.³

1.14 The ANAO report also concluded that the Department of Environment, Water, Sustainability, Population and Communities (SEWPaC) had not established baselines from which to measure water efficiency improvements, nor had it identified the quality of the water savings that would be returned to the environment based on these taxpayer-funded investments.

1.15 In another case of alarming mismanagement, The Victorian Ombudsman's report into the Foodbowl Modernisation Project – which attracted \$1 billion of Federal funding – found that the project allocated *“substantial funding although it had not undertaken a Business Case and feasibility studies critical to assess and evaluate investment options”*⁴

1.16 The Victorian Auditor General concluded:

The decision to commit \$1 billion was based on advice of water savings and cost assumptions that had not been verified, technology that had not yet proven itself and the feasibility of the project, which was unknown.⁵

1.17 These two examples highlight the alarming inconsistencies and errors in the allocation of funds, but also emphasise the inequality and unfairness in the way in which funds for projects have been awarded.

1.18 South Australian irrigators have applied for funding under a number of Federal Government programs – most notably the Sustainable Rural Water Use and Infrastructure Program – but many have been deemed too efficient to qualify.

3 Australian National Audit Office, *Administration of the Private Irrigation Infrastructure Operators Program in New South Wales*, June 2012, p. 22.

4 Victorian Ombudsman, *Investigation into the Foodbowl Modernisation Project and related matters*, November 2011, p. 8.

5 Victorian Auditor General, *Irrigation Efficiency Programs – Audit Summary*, June 2010, p. 1.

1.19 The MDBA has consistently taken a glib attitude towards this issue, particularly when it comes to measuring the comparative efficiencies of different irrigation regions. I refer to evidence given by the MDBA's Chief Executive, Dr Rhondda Dickson, during Senate Estimates in May of this year.

Senator XENOPHON: No, but you can establish how efficient an area is and when it became efficient, can't you? That is a matter of fact, isn't it?

Dr Dickson: You could presumably do that. But I guess, as to how you might rank efficiencies, that is not really our job. It is more to look at what is a sustainable level of extraction rather than who is the most efficient.⁶

1.20 There is a distinct lack of flexibility in the use and criteria of the infrastructure fund, which disadvantages early adopters of water efficiency measures and in particular regions such as the Riverland in South Australia.

1.21 Further, not only are those upstream receiving money for water efficiency projects, they are also getting to keep half the water they save.

1.22 This will skew the buyback market dramatically against South Australia, particularly given the as the MDBA is committed to using a market based approach to finding another 101 GL of savings in South Australia after end valley targets are met.

1.23 Furthermore, when a Basin-wide cap was first introduced in 1995 it was based on levels of extraction for New South Wales and Victoria. Those States used modelling based on hydrological models due to a lack of metering of actual water usage.

1.24 In contrast, as South Australia had meters, a decision was made to cap use at 90 per cent of entitlements, which gave some recognition to South Australia abiding by the 1968 cap. At that time in 1995, usage was only about 82 per cent of entitlements.

1.25 However with the setting of Baseline Diversion Limits (BDLs) in the Proposed Basin Plan, it appears the MDBA – in an attempt to achieve consistency based on usage – has shifted the starting point to actual use, rather than entitlements.

6 Dr Rhondda Dickson, Murray-Darling Basin Authority, Committee Hansard, Environment and Communications Legislation Committee, 23 May 2012, p. 102.

1.26 The uncertainty in how the BDL was calculated was discussed in depth by Mr Gavin McMahon, Chair of South Australian River Communities, at the Mildura hearing:

Senator XENOPHON: Can I just go to Mr McMahon in relation to pages 147 to 148 of the proposed Basin Plan. It refers to the South Australian Murray water resource plan, saying that the limit is BDL—basin diversion limit—minus 101 gigalitres per year and local reduction amount minus the SDL resource unit shared reduction amount. It says there: *As of 30 September 2011, the reduction achieved is estimated to be 79 GL per year and thus the gap remaining is estimated to be 22 GL per year in relation to the local reduction amount for this SDL resource unit.*

Do you have any comments on, firstly, how they got to that figure? It seems to be a bit different from Victoria, where the cap was 1,802 and the gap that is being sought is only 10 gigalitres less. Secondly, what would be the impact of taking 22 gigalitres out of the Riverland in terms of actual irrigation areas? Thirdly, you are right—I think Mr Byrne said it—that the minister acknowledges that South Australia has been an early adopter, but have you been provided with any form of crediting of that early adoption and sticking to the cap?

Mr McMahon: The last point is: no, we have not been credited with anything. I suggested earlier on that we do have an issue with the baseline diversion limit. We still have an issue, even though we have had—

Senator XENOPHON: How do they get to it, though?

Mr McMahon: There is a document that has been given to us from both the MDBA and the DFW, which shows that there are different components to the reductions. Our cap adjusted for trade is about 756 gigalitres. The BDL is 665. You have got to take into account the Living Murray water in there as well, which is about 42 gigalitres. So there is a shortfall in there of some 50 gigalitres. Some of that is attributed to the SA water cap, and then there are a number of other things that reduce the cap—things like improved monitoring, environment and adjusting for climate change and the like—which then reduced the BDLs.

Senator XENOPHON: Is that document a public document?

Mr McMahon: No, it is a letter from DFW to us. I am happy to provide that.

Senator XENOPHON: Could we ask for a copy of that, please.

Mr McMahon: Yes. That is why we have some issues over the BDL and its impact on our water security, first up.

Senator XENOPHON: Does it seem a bit rubbery to you in terms of how they got to it?

Mr McMahon: Yes, I have some concerns about it...⁷

1.27 Given the above interchange, it is critical the MDBA urgently clarify how the BDLs have been calculated in both the current and previous versions of the draft basin plan.

1.28 South Australia should receive recognition of its past efforts and adhering to the cap and for the inconsistencies in the setting of the BDL, but this has not been addressed in any version of the Proposed Basin Plan.

Recommendation 4

The MDBA must urgently provide advice as to the methodology for the setting of the BDL.

Recommendation 5

Urgent modelling is undertaken to establish the comparative efficiencies of irrigation communities in the Murray-Darling Basin. The results of such modelling can be used to fairly determine Baseline Diversion Limits, and take into account such comparative efficiencies to ensure fair treatment of irrigators.

Recommendation 6

Irrigators must receive recognition for their past water efficiencies. In the absence of any prior recognition for past water-saving efforts, the guidelines for the Sustainable Rural Water Use and Infrastructure Program and other similar programs should be amended to allow irrigators to apply for funding for research and development purposes.

Recommendation 7

The MDBA provide urgent evidence that the current market-based buyback approach will not distort the water and commodity market.

In the absence of any available evidence, the MDBA conduct urgent modelling on the impact the market-based buyback approach will have on those who have not accessed funds under the Federal Government's \$5.8 billion Sustainable Rural Water Use and Infrastructure Program and other similar programs.

7 Mr Gavin McMahon, *Committee Hansard*, 3 April 2012, pp 49–50.

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