

## Chapter 7

### Impact of the Basin Plan on Rural Communities, Localism and Stakeholder Engagement

7.1 The social and economic implications of the Basin Plan formed a major part of the evidence received during this inquiry. Also prominent was the broader public debate about the future of the Murray-Darling Basin itself.

7.2 This chapter deals with the socio-economic impacts of the Basin Plan and the related issue of the Murray-Darling Basin Authority's (MDBA) and the Department of Sustainability, Environment, Water, Population and Communities' (SEWPaC) engagement with rural communities and stakeholders. First, the chapter discusses the impacts of the Basin Plan on rural communities. In particular, it focusses on the following areas:

- external pressures affecting rural communities that are unrelated to the Basin Plan including, the millennium drought, commodity prices and the general economic climate;
- modelling of the future social and economic impacts of the Basin Plan by the MDBA, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), and independent groups; and
- community perceptions of the potential social and economic impacts of the Basin Plan on communities reliant on irrigation in the Basin.<sup>1</sup>

7.3 Second, the chapter discusses the issues of localism and stakeholder engagement in the development of the Basin Plan. It examines how the concept of localism has been developed and used by the MDBA since the release of the House of Representatives Standing Committee on Regional Australia's May 2011 report entitled, *Of drought and flooding rains: Inquiry into the impact of the Guide to the Murray-Darling Basin Plan* (Windsor Report). It also examines the process and criticisms of the MBDA and the government's approach to stakeholder consultation in the Basin region.

#### Impact on Rural Communities

##### *External pressures unrelated to the Basin Plan*

7.4 The socio-economic pressures faced by regional and rural communities from severe drought, fluctuating commodity prices and the post-GFC economic climate were made apparent when the committee held public hearings in Hay and Mildura in early April 2012.

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1 The socio-economic impacts of the additional 450 GL/y return of take to the environment announced by the government on 26 October 2012 are discussed in chapter 4.

7.5 The General Manager of Hay Shire Council outlined the impact that the Basin-wide 2750 GL/y reduction could have on Hay in addition to the difficulties caused by the millennium drought:

That will decimate the lifeblood of this area. From Hay Shire's point of view, it is a very resilient community but it has had a pretty hard time with 12 years of extreme drought, and to lose this amount of irrigated agriculture from the area is a terrible blow to the economy of the community.<sup>2</sup>

7.6 Two local Hay witnesses also explained how the drought and other factors had a strong impact on the Hay local economy resulting in skills shortages, but that the Basin Plan process was creating additional uncertainty for the region:

**Mr Hill:** ... it is hard to find that semi-skilled employee for general driving of tractors. It is all high-tech equipment. It is all GPS. It is hard to find people that are reliable et cetera. So many people have left for the mining industry. Families have left the area because of the uncertainty moving forward. We have had the drought, which created a lot of uncertainty, obviously. Because local farms have sold water, locals have seen it happen. Families are thinking: 'Well, my kids are about to go to high school. I think we might move now and just not take that chance.' Even local shops find it hard to find people. It is an ongoing problem.

**Senator URQUHART:** So it is across the broad spectrum of all different industries?

**Mr Hill:** True. We cannot all blame the [Basin Plan], either, for people leaving town. It is a country town. Kids often do leave. They go to uni et cetera. Once they are at uni they possibly do not always come back. But the plan has created uncertainty.

**Mr Schipp:** The other thing is that production has ramped down because of drought and zero [water] allocation, and to suddenly ramp it back up one season later or two seasons later is another compounding factor. It clouds this whole issue. The [Basin Plan], probably, has some impact. But there is also the drought compounding the story as well.<sup>3</sup>

7.7 Mr Bennett from the Sunraysia Irrigators Council, also noted the effect of poor commodity prices followed by the drought on irrigated horticulture in Mildura:

The recent history of Mildura is that, mainly due to commodity prices before the drought, some people were starting to get out of irrigated horticulture. That was rapidly advanced during the drought, and I think the district is now pumping only half the amount of water it was pumping prior to the drought. As [Mr Daniel Lee, Chairman, Sunraysia Irrigators Council] said, even though there had been irrigation efficiency up until that time, it accelerated through the drought and most people have got some form of

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2 Mr Allen Dwyer, General Manager, Hay Shire Council, *Committee Hansard*, 2 April 2012, p. 57.

3 Mr James Hill, Private Capacity, and Mr Andrew Schipp, District Agronomist, New South Wales Department of Primary Industries, *Committee Hansard*, 2 April 2012, p. 14.

pressurised irrigation on their properties. We hope that that drying off in the pumped irrigation districts has bottomed out and from now on, depending mainly on commodity prices—and the Australian dollar, which is sort of connected—we are hoping to see in the next few years not necessarily a resurgence but some form of getting back to where we were prior to the drought.<sup>4</sup>

7.8 The MDBA also outlined a number of the impacts of the millennium drought on the agricultural sector in the region in its report on the socio-economic impacts of the Basin Plan:

The severe and prolonged millennium drought has resulted in many farmers in the Basin being under significant financial stress.

- Many farmers survived the drought on a combination of exceptional circumstances payments and off-farm income, and by running down farm equity.
- Some irrigators sold permanent water entitlements to keep debt levels down, and bought annual water allocations to continue irrigated farming.
- The average gross margin return on farm assets over five years to 2010 for horticulture, broadacre, livestock, dairy, and mixed farms was in the range of 2 to 3 per cent. When debt and interest costs are included, the average annual return on assets during that period was negative for the majority of farms surveyed.
- Since 1996, levels of farm average cash income have fallen significantly, and levels of average farm debt have increased substantially in most areas of the Basin.<sup>5</sup>

7.9 In noting the future economic outlook of the Murray-Darling Basin, the MDBA stated that the general economic climate will have the most significant effect:

In the longer-term, the greatest influence on social and economic outcomes in the Basin will be conditions in the wider economy. The main drivers will include long-term changes in commodity prices, driven largely by growth in emerging Asian economies, exchange rates and anticipated continuing growth in Australia's GDP and productivity.<sup>6</sup>

#### *Committee view*

7.10 The committee is mindful that many of the pressures facing communities and irrigators in the Murray-Darling Basin are not caused by the Basin Plan. The committee also considers it important that the public debate about the future of the Murray-Darling Basin clearly delineates the likely impacts of the Basin Plan from these other external factors.

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4 Mr Malcolm Bennett, Vice Chairman, Sunraysia Irrigators Council, *Committee Hansard*, 3 April 2012, p. 4.

5 MDBA, *The Socio-economic implications of the proposed Basin Plan*, May 2012, p. v.

6 MDBA, *The Socio-economic implications of the proposed Basin Plan*, May 2012, p. 12.

7.11 However, the committee is also mindful that the Basin Plan may have effects that tend to exacerbate the existing social and economic challenges in the Basin. The committee considers that it is very important that the Basin Plan takes into account existing socio-economic issues in the Basin.

### ***Social and economic modelling***

7.12 The potential social and economic impacts of the Basin Plan formed a major part of the inquiry's evidence. The MDBA and other groups undertook various studies to model these impacts. While acknowledging that there would be social and economic costs, the MDBA also presented modelling that the costs would be limited.

7.13 The broad, Basin-wide findings of the MDBA can be summarised as follows:

- The reduction in irrigated agricultural output as a result of the Basin Plan is expected to be 5–10 per cent from 2007 to 2019 (less than 1 per cent per annum).
- That overall agricultural output is expected to grow by more than this reduction in irrigated agricultural output until 2019 – meaning net growth for the region despite the Basin Plan.
- Government investment in infrastructure and water management is expected to create 2 000 to 3 000 more jobs to 2019.
- Without the Basin Plan the region (excluding the ACT) is expected to have a general increase in fulltime jobs of 13 000 per annum by 2019.
- Under the Basin Plan (without buybacks re-invested), there is expected to be a total reduction of 1 600 jobs by 2019, equating to a reduction in the annual increase of approximately 200 jobs.<sup>7</sup>

7.14 These broad outcomes were part of MDBA's socio-economic analysis that assessed the impact of the Basin Plan at four levels: national, regional, industry and local. The MDBA described how it developed this analysis:

Firstly, regional socio-economic profiles were collated. Economic models were used to assess likely impacts on agricultural production and communities at Basin-wide, regional and industry levels. Socio-economic impact assessment was used to complement this analysis and describe in more detail the potential impacts at the industry and local level.<sup>8</sup>

7.15 The MDBA stated that it undertook the economic and hydrological modelling on only the 2800 GL/y figure and noted that many of the 'benefits and costs are not of sufficiently high precision to be able to discern a significant difference' between 2750 GL/y the 2800 GL/y scenarios.<sup>9</sup> Although socio-economic impacts of other reduction in take scenarios were modelled for socio-economic effects, less detail of

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7 MDBA, *The Socio-economic implications of the proposed Basin Plan*, May 2012, p. ii.

8 MDBA, *Plain English summary of the proposed Basin Plan – including explanatory notes, Appendix B*, November 2011, p. 119.

9 MDBA, *The Socio-economic implications of the proposed Basin Plan*, May 2012, p. 2.

the results were made available in public reports. As noted in the MDBA's report *Socioeconomic analysis and the draft Basin Plan: Part A – Overview and analysis*: '[e]conomic modelling studies have considered a range of scenarios with a focus on a 2800 GL water recovery volume, and sensitivity analyses of 2400 GL and 3200 GL scenarios.'<sup>10</sup>

7.16 A further criticism, by witnesses such as the Wentworth Group, was that the socio-economic modelling did not adequately explain the impacts, costs and benefits that would occur under several different scenarios for returning environmentally sustainable levels of take.<sup>11</sup>

7.17 The analysis across the four levels showed that while the impact of the Basin Plan when spread across the entire Murray-Darling Basin is relatively low, it is likely that disproportionate costs will be borne by specific Basin communities:

These costs are likely to occur in areas that have small populations and high dependence on irrigated agriculture, and communities which are more geographically isolated relative to others across the Basin.<sup>12</sup>

7.18 The MDBA also advised that various assumptions were tested, particularly in relation to potential job losses. For example, as the following exchange demonstrates, different modelling scenarios were developed to measure the impacts of people either staying in the community or moving elsewhere following job losses:

**Dr Dickson:** We did three different studies on the employment impacts and then did a review of all of those three. They do vary. We also tested whether people move on or whether they stay in their jobs. Effectively, there was not a lot of difference in the overall impact of whether people moved on or stayed there. But we did analyse that. That is all reported in our social and economic impact assessment...

**Senator NASH:** Which one are you using for the purposes of the plan—that they move on or that they stay?

**Dr Dickson:** We are basically painting the three scenarios that you could have—that they all move on, that a mixture will stay, which is probably closer to the reality, or that they all stay—and then just looking at the relative impacts. You cannot be precise about these things in identifying the particular impact.

**Senator NASH:** No, I understand that. Obviously it is a very imprecise situation we are dealing with. If you are using all three but you have come to an understanding of what you think the impact is going to be on job losses, if you have three different scenarios, how can you be so certain about the job losses?

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10 MDBA, *Socioeconomic analysis and the draft Basin Plan: Part A – Overview and analysis*, November 2011, p. 55.

11 Mr Tim Stubbs, Environment Engineer, Wentworth Group of Concerned Scientists, *Committee Hansard*, 23 April 2012, pp 16–18.

12 MDBA, *Plain English summary of the proposed Basin Plan – including explanatory notes, Appendix B*, November 2011, p. 120.

**Dr Dickson:** We have not said we are absolutely certain about job losses. What we have identified is the order of impact... I think the worst case was around 1,600 overall over the long term, and the best case was something around 800. It all depends on the modelling that you use.<sup>13</sup>

7.19 Elsewhere, the MDBA also stated that the potential costs for economies and communities are 'manageable if there is a smooth transition over time to a sustainable level of water use.'<sup>14</sup>

7.20 ABARES also provided socio-economic modelling complementary to or as input for the information published by the MDBA.<sup>15</sup> Where relevant, the results and criticisms of this modelling are also discussed below.

#### *Concerns with the MDBA's modelling*

7.21 Despite the studies put forward by the MDBA about the socio-economic impacts of the Basin, a number of witnesses claimed that there was either significant uncertainty regarding the socio-economic impacts or significant problems with the MDBA's modelling.

7.22 Some stakeholders stated that the full impact on communities is not yet completely known. Mr Jock Laurie, President of the National Farmers' Federation summarised these concerns:

The variation of seasonal allocations, variations of rainfall and all those things do have an impact. So how do you get an understanding? They do know that, if you work on averages, you can extract money out of a community—like Griffith, for instance—and you should be able to put a dollar figure to it. We are not convinced, at this stage, that they [the MDBA] have enough knowledge about the actual impact. I do not believe that they understand exactly what the impact on each of those individual communities will be. So whenever you are taking water out of productive use you will be removing income. What we are saying is that we need to get all of those things together: the infrastructure spend, the environmental works and measures, the [research and development] component, maintaining economic capacity and other things.<sup>16</sup>

#### *Assumptions behind the socio-economic modelling*

7.23 Given the broad nature of the assessments made by the MDBA, there is a sense of uncertainty regarding the extent of the negative socio-economic impact on the

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13 Dr Rhondda Dickson, Chief Executive, MDBA, *Committee Hansard*, 24 April 2012, p. 7. See also Mr Paul Morris, Executive Director, ABARES, DAFF, *Committee Hansard*, 24 April 2012, p. 11.

14 MDBA, *Plain English summary of the proposed Basin Plan – including explanatory notes, Appendix B*, November 2011, p. 119.

15 For example, ABARES, *Modelling the economic effects of the Murray-Darling Basin Plan*. Report prepared for the Murray-Darling Basin Authority, November 2011.

16 Mr Jock Laurie, President, National Farmers' Federation, *Committee Hansard*, 23 April 2012, p. 33.

Basin as a whole and how individual communities would be affected. As such, some organisations commissioned their own assessments to gain an understanding the impacts to local areas. One report, by Independent Economics, presented quite different findings at the local level compared to the MDBA's overall assessment:

The Independent study found that a 29 per cent reduction in productive water use in the South West Murrumbidgee (Griffith, Leeton, Narrandera, Carrathool and Murrumbidgee local government areas) is likely to permanently reduce employment by 2100 jobs, comprising 700 jobs from farming and processing businesses and 1400 jobs from urban based service industries. The study also estimates GDP in this region will reduce by about 9 per cent and income by about \$200 million.<sup>17</sup>

7.24 Given the significantly different findings, the committee explored some of the Independent Economics report's finding with ABARES officials at a committee hearing. When questioned about the impact on smaller communities as reflected in the Independent Economics research, which indicated that people will leave smaller communities and the social and economic impact would be quite negative, Mr Morris, Executive Director, ABARES explained their different modelling approach:

**Mr Morris:** In our water modelling—so this is agricultural areas—we look at about between 22 and 24 different regions. In our general equilibrium modelling, which is more of the basin wide, it is a slightly smaller set of regions; I think it is about seven regions. The smaller you can get those regions—obviously, to some degree the more information would be available to you and others in terms of decision makers—unfortunately, the less reliable the data and information is at that regional level, so it becomes very difficult to depend on the reliability of information. We map it on areas that we believe we have reliable data and information on which to make decisions on. So that is why we use the seven regions across the basin for this type of modelling.

**Senator NASH:** Are you saying that the Independent Economics analysis is not reliable?

**Mr Morris:** We value inputs from all sources. The work done by Independent Economics is very different from all of the other economic work that has been done on the basin. If I were asking them questions, I would ask them why their results are so different—and I do not think it is because of the assumptions that they have said that they have changed because we have modified those assumptions.<sup>18</sup>

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17 Murrumbidgee Irrigators Ltd, *Murray-Darling Basin Plan*, [www.mirrigration.com.au/Policy-and-Reform/Murray-Darling-Basin-Plan/Murray-Darling-Basin-Plan](http://www.mirrigration.com.au/Policy-and-Reform/Murray-Darling-Basin-Plan/Murray-Darling-Basin-Plan), (accessed 6 September 2012). The full report was prepared for The Murrumbidgee Valley Funding Partners: Independent Economic, *Modelling the Economic Impact of the Draft Basin Plan*, April 2012, [www.independenteconomics.com.au/information/Reports/Independent\\_Basin\\_Plan\\_second\\_stage\\_final3.pdf](http://www.independenteconomics.com.au/information/Reports/Independent_Basin_Plan_second_stage_final3.pdf) (accessed 4 March 2013).

18 Mr Paul Morris, Executive Director, ABARES, DAFF, *Committee Hansard*, 24 April 2012, p. 24.

7.25 ABARES also explained that the different models took different approaches and the variance in results could be a result of the size of areas assessed. As Mr Morris told the committee:

There are a number of reasons why that might be the case, and I do not fully understand their model. It has some quite unusual results that we do not quite understand. The smaller the region, potentially the higher the likelihood of people moving out of the region. They have defined quite a small region—it is the south-west Murrumbidgee—whereas our regions are a bit bigger than that. We looked at the Riverina, which would be our comparable region for our regional impact modelling, and so part of the reason is that they have got a smaller region.<sup>19</sup>

7.26 The MDBA also stated in its report that the main reason for different results regarding the socio-economic impacts is that different assumptions have been used for different modelling. The MDBA explained there would be larger impacts with the following assumptions:

- 100 per cent of water required to meet SDLs is recovered by buy-back (when in fact, a considerable portion is being recovered through infrastructure improvements);
- all water recovery is yet to occur (when in fact, the target has been half achieved already);
- water continues to be used in fixed proportions with other inputs (with no substitution between water, land, labour, capital, materials and services);
- there is no trading of water between industries or between the water resource planning regions (which might include farmers in one area selling temporary water allocations to farmers in the same area or other areas as a source of income in low allocation years);
- when farmers sell their water entitlements to the government, they sell all of their entitlements and exit the industry altogether; and
- a proportional impact on irrigated agriculture flows through to an equivalent proportional effect on the size of the Basin economy and employment.<sup>20</sup>

#### *Limited consideration of connectivity*

7.27 In the hydrological modelling of various SDLs, there was limited consideration of connectivity between the groundwater and surface resources in the Basin (see chapters three and eight). This had implications for how the socio-economic modelling of the Basin Plan was undertaken. ABARES explained how this connectivity was represented in its socio-economic modelling:

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19 Mr Paul Morris, Executive Director, ABARES, DAFF, *Committee Hansard*, 24 April 2012, p. 11.

20 MDBA, *The Socio-economic implications of the proposed Basin Plan*, May 2012, pp 3–4.



**Mr Morris:** In terms of groundwater versus surface water, clearly, if there is more groundwater available or there are changes in the relationship between the amount of groundwater and the amount of surface water, that will affect the overall water available to the basin and that could have quite a significant impact on the results. But we have built into our scenarios the scenarios given to us on the basis of availability of surface water and groundwater from the Murray-Darling Basin Authority.

**CHAIR:** Have you included in that the connectivity? The more groundwater you take in some places, the less river water there is.

**Mr Morris:** It is not a detailed scientific model, but there is some representation of differences between surface water and groundwater in the modelling.<sup>21</sup>

7.28 However further questioning by the committee of an ABARES official suggested there remained a limited understanding about the connectivity between surface water and ground water by those involved in different aspects of the modelling:

**Mr Sanders:** ...You have to remember that our models of regions are at a sort of aggregate scale. While we have some hydrological component, we do not necessarily model the relationships between surface water and groundwater, but we treat—

...

**CHAIR:** Do you understand the connectivity of the Murrumbidgee and the aquifer?

**Mr Sanders:** No, I do not understand it. The—

**CHAIR:** How the hell can you model if you do not understand it?<sup>22</sup>

#### *Committee view*

7.29 The committee is of the view that, given the MDBA has indicated it has attempted to strike an appropriate balance between environmental, social and economic outcomes, it is reasonable to expect that more detailed analysis would be undertaken in relation to the impacts of the Basin Plan at a local community level across the Basin.

7.30 Independent modelling undertaken by others, which found significant social and economic impacts compared to the MDBA's own assessments, generates valid concern within the communities about the Basin Plan, particularly in the absence of thorough data to refute these claims. The MDBA's response that it 'does not agree with the assumptions' made by other research is not acceptable where the assumptions made by the MDBA are not clear to the public.

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21 Mr Paul Morris, Executive Director, Australian Bureau of Agricultural and Resource Economics and Sciences, DAFF, *Committee Hansard*, 24 April 2012, pp 4–5.

22 Mr Orion Sanders, Economist, Australian Bureau of Agricultural and Resource Economics and Sciences, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 24 April 2012, p. 5.

7.31 The committee is concerned by ABARES' apparent lack of understanding about the surface and groundwater connectivity in undertaking its socio-economic modelling of the Basin Plan.

7.32 The committee believes, consistent with the recommendation below, that the assumptions that underpin the socio-economic modelling need to be more clearly explained to the public. Although the committee is aware that modelling of socio-economic impacts of other reduction in take scenarios was undertaken, the committee is concerned that the level of detail made publicly available was limited especially in comparison to the 2750 GL/y scenario.

### ***Perspective of rural communities***

7.33 The committee heard evidence from a number of regional Basin community groups, councils, and industry representatives that also diverged from results of the MDBA and ABARES' socio-economic modelling. These perspectives were put to the committee, most forcefully during its visit to the rural communities of Hay, NSW and Mildura, Victoria.

7.34 Mr Crighton, a local engineer from Hay, summarised the position of rural communities well:

Water is going to go; we understand that. We all want the river to be managed; we all want it to be maintained. We understand that a volume of water has to go but the communities that are there are going to be the people who are truly going to suffer from that change and they are the people who most need assistance. These regional towns need any assistance they can get to broaden their sector, to get out and grab other work and other income and to start working with other industries, such as our predominant industry which is dryland farming. The transition is not easy.<sup>23</sup>

7.35 Concerns were strongly evident in other Basin communities as well. For example, Mayor Margaret Thomson of Wentworth Shire outlined the Basin Plan's impact on the Wentworth community given its reliance on irrigated farming:

We do have very grave concerns about the effect on our communities in the future and how we can remain a prosperous community. The shire is an agricultural economy that is almost entirely dependent on production from irrigated horticulture. Up to 80 per cent of the gross value of our agricultural production is generated by only 0.5 per cent of the landmass of the Wentworth shire.<sup>24</sup>

7.36 The Mildura Rural City Council Mayor, Councillor John Arnold, also pointed to the flow-on effects of the Basin Plan and the associated water buyback process:

...it will take out of those areas massive production, and it is going to make it very difficult for the councils to continue with a rate level as it is

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23 Mr Jasen Crighton, Director, Crightons Rural Engineering, *Committee Hansard*, 2 April 2012, p. 5.

24 Councillor Margaret Thomson, Mayor, Shire of Wentworth, *Committee Hansard*, 3 April 2012, p. 30.

currently, because as the land values in those areas decrease other people are going to pay more. Mildura is also a member of Regional Cities Victoria, and both the previous Labor government and the current coalition government in Victoria have a policy of people moving to the regional cities. You cannot do that with a lower rate base unless there is some significant capital put in to ensure that they are able to survive.<sup>25</sup>

7.37 The local impacts were also highlighted by Mrs Tania Chapman of Citrus Australia. Mrs Chapman argued that the appropriate balance between the environmental, social, and economic impacts were not reached under the Basin Plan (November 2011):

A recent report released last month on the socioeconomic impacts of the proposed plan by Regional Development Victoria is another example of the impact it will have in our communities. Even the best-case scenario, minimum buybacks, points to an increase in abandoned blocks in Red Cliffs, Merbein and Mildura. How will all the extra environmental water be managed? We are yet to see best practice water management by governments during extreme weather events. The draft Murray Darling Basin Plan continues to fail to deliver the balanced social, economic and environmental outcomes that we do need.<sup>26</sup>

#### *Committee view*

7.38 The committee was concerned throughout this inquiry that the various iterations of the Basin Plan did not fully address the socio-economic impacts that the return of 2750 GL/y would have on Basin communities.

7.39 Although the committee acknowledges the progress made by the MBDA in addressing socio-economic impacts during the development of the Basin Plan, some of the original concerns remain. Although the committee is aware of the research conducted and commissioned by the MDBA about local socio-economic impacts of the Basin Plan,<sup>27</sup> the evidence received by the committee shows that rural communities face a degree of uncertainty about their social and economic future.

#### **Recommendation 17**

**7.40 The committee recommends that the MDBA update the socio-economic modelling of the local impacts of the Basin Plan. There should be a strong focus on the communities likely to be most affected by the Basin Plan and strategies should be developed to address the impacts. All such information should be publicly released and presented in a form that is accessible to stakeholders, local community members, and parliamentarians. This modelling should also include**

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25 Councillor John Arnold, Mayor, Mildura Rural City Council, *Committee Hansard*, 3 April 2012, p. 31.

26 Mrs Tania Chapman, Chair, Citrus Australia, *Committee Hansard*, 3 April 2012, p. 18.

27 See, for example, MDBA, *Socioeconomic analysis and the draft Basin Plan: Part A – Overview and analysis*, November 2011, pp 85–111.

**tabular or graphical data depicting the location and volumes of buyback on an irrigation district basis.**

## **Stakeholder engagement and localism**

### *Stakeholder engagement*

7.41 The issue of stakeholder engagement was a significant concern among many of the witnesses who appeared before the committee. While developing the Basin Plan, the MDBA undertook a significant process of consultation with interested parties. The Basin Plan Explanatory Statement (explanatory statement) outlined the MDBA's consultation as follows:

During the 20 weeks of formal consultation, the Authority held a total of 24 public meetings, 56 round table and technical meetings, 18 social and economic briefings for representatives from rural financial organisations, 5 regional briefings on water trading issues, and 31 bilateral and working group meetings with Basin States. Further, a tailored Indigenous consultation process took place in more than 30 towns in the Basin.<sup>28</sup>

7.42 The explanatory statement also noted that:

By the end of the formal consultation period on 16 April 2012, the Authority had received nearly 12,000 submissions from individuals, organisations and governments across Australia, as well as some from overseas. As a result of this further feedback, more than 300 changes were made to the proposed Basin Plan.<sup>29</sup>

7.43 Under the *Water Act 2007* the MDBA is required to 'consider' any submissions received as part of the formal consultation period.<sup>30</sup>

7.44 Despite the extensive public consultations that took place, a number of stakeholders expressed significant concerns about flaws they saw in the MDBA consultation process and its effectiveness in helping stakeholders understand the Basin Plan. For example, the Mayor of Mildura Rural City Council stated that although there were significant meetings with the government over the plan, information on certain issues could be hard to obtain:

You may be aware that we have consulted closely in Canberra, Leeton and a number of other places with the Murray-Darling Basin Authority. Like Mark McKenzie [Chief Executive, Murray Valley Winegrowers Inc], who we were at the meeting in Canberra with, we discussed the technical details about how they came up with decisions about use of environmental water, flows and what they were going to be able to do with regard to that. There are certainly some genuine concerns with regard to the information which

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28 Basin Plan explanatory statement p. 10.

29 Basin Plan explanatory statement p. 11.

30 *Water Act 2007*, section 43(10)(a).

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has been made available. Often when questions are asked there has not been a definitive answer.<sup>31</sup>

7.45 A witness from the Riverland Winegrape Growers Association was also critical of the general approach to stakeholder engagement taken by the government and other officials:

**Mr Byrne:** We have also witnessed a lot of what I can only call prevarication on the part of those who have been charged with responsibility for engagement with us as stakeholders and those who have been charged with responsibility for further developing the draft into a final plan. I can only imagine that the intransigence and the prevarication, which I would define as 'acting or speaking evasively or misleadingly', is going to continue because there have been no signs in recent times that we are suddenly going to have a more open, cohesive and interactive opportunity with those who have primary responsibility for developing this plan.

**Senator NASH:** ... for clarification, when you are talking about the people you are engaged with and the few responses and the prevarication, are you talking about the Murray-Darling Basin Authority officials?

**Mr Byrne:** I am talking about the politicians with whom we have had engagement. I am talking about the bureaucrats who work for those politicians and I am talking about some of those within the authority; though I would have to say that our engagement with the higher level in the authority has generally been met with some satisfaction but not a lot of detail.<sup>32</sup>

7.46 Despite the extensive meetings held by the MDBA in the formal consultation process in the first half of 2012, the National Irrigators' Council (NIC) criticised the MDBA for providing little information afterwards. As the NIC told the committee, the MDBA's efforts in early 2012 were followed by an absence of information in the time leading up to the tabling of the Basin Plan in parliament:

On the issue of consultation: we got consulted to death. We have had millions of reports and God knows what else handed down. But it has suddenly gone silent. We have the Basin Plan out there and there have been a lot of closed-door meetings going on for the last two or three months. But our communities are crying out for information about what the plan means for them. They have no idea. I know we are trying to get our heads around it and trying to be the conduits, but—and I am going to verbal Andrew [Mr Andrew Gregson, CEO, NSW Irrigators Council] again—both Andrew and I would say that we do not have the resources to do that. Only governments have those resources. We would implore you: after Christmas [2012]—now is not a good time; people are trying to harvest and get summer crops in and those sorts of thing and communities are busy—there has to be a very

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31 Councillor John Arnold, Mayor, Mildura Rural City Council and representative of the Murray River Group of Councils, *Committee Hansard*, 3 April 2012, p. 31.

32 Mr Christopher Byrne, Executive Officer, Riverland Winegrape Growers Association, *Committee Hansard*, 3 April 2012, p. 41.

concerted effort to get out there and explain what this is all about and what it means for people.<sup>33</sup>

7.47 The Wentworth Group was also critical of the manner in which its comments regarding the proposed Basin Plans were treated by the MDBA. In particular, the Wentworth Group was concerned that one of its statements was not engaged with constructively but placed on the MDBA's 'Mythbusting' website. As Mr Stubbs explained:

We have said, 'You don't tell us the number [of the Basin wide SDL]; you need to tell not just Wentworth but tell the public, tell every stakeholder in the basin, and the parliament.' I know the environmental groups have written to the authority specifically asking them to model volumes of 4,000. I cannot respond on exactly what response they got. We have not got any specific response to our statements. Our statement got put on the myth-busting section of the authority's website. In this public consultation process, a statement that we have put out is put up as myth busting and ridiculed on their site. We have not got a comprehensive response.<sup>34</sup>

7.48 A number of environmental groups were also critical about the manner in which public consultation meetings took place. In particular, these groups stated that the very short notice of the time and location of meetings made it difficult to properly present their views. As the committee was told by representatives of the Conservation Council of South Australia, Nature Conservation Council of New South Wales, Environment Victoria, respectively:

**Senator HANSON-YOUNG:** What type of consultation have the three organisations had with the Murray-Darling Basin Authority in relation to the draft plan?'

**Mr Kelly:** We have been invited to attend a number of information sessions and had discussions with the authority over last year and this year [2011 and 2012]. My feeling was that at many of those meetings there were a number of questions continuously asked about modelling the 4,000 gegalitres, why certain things were done and when reports were going to be released as such. It was always a little bit constrained in the answers that were provided, so we have felt that there has not been a hugely strong amount of listening to the concerns of the environmental movement. If there were, we would have seen the 4,000 gegalitres and other values modelled already, and then there would be better knowledge and information out in the community and with policymakers to make an informed decision.

**Ms Smiles:** Just to answer that question as well, as far as the information sessions that the MDBA has been running are concerned, I think we were given 10 days notice of the last-minute decision to hold an information

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33 Mr Tom Chesson, Chief Executive Officer, National Irrigators' Council, *Committee Hansard*, 23 November 2012, pp 16–17.

34 Mr Tim Stubbs, Environmental Engineer, Wentworth Group of Concerned Scientists, *Committee Hansard*, 23 April 2012, p. 24.

session in Sydney, and the 10 days included Easter, so it was very short notice for anyone that was interested in the issue in Sydney to be able to organise themselves to get along to that information session. So we do not feel that there has been enough notice to enable community access to the sessions that have been run...

**Ms Le Feuvre:** For some of the community consultations out in regional Victoria, they would ring up a couple of days before and say, 'Do you know of any environmental people we should invite?' That kind of notice is really very short. In terms of the [NGO] consultation, we have had a number of briefings with them. Finally, in Sydney, probably a couple of weeks ago, we had the sort of conversation we wished we had had about a year before, while the plan was still under development.<sup>35</sup>

7.49 Other groups have been more equivocal about the MDBA's consultation and stakeholder engagement process. For example, regarding the consultation with indigenous Australians in the Basin, the Murray Lower Darling Rivers Indigenous Nations told the committee about the draft Basin Plan that although significant consultation had taken place and was encouraged, further work needed to be done:

I must say, Rhondda Dickson CEO of MDBA and Craig Knowles [MDBA Chairman], have been very supportive in the development of our processes within the basin planning itself. I do give them acknowledgement of that, but in saying that, me and my confederated nation groups, see this as a bit of a cop out. It is a very tokenistic measure, where the Commonwealth area actually not taking the responsibilities on as they should be doing and handballing everything across to the basin states and saying that it is their responsibility to do that. We require a lot more clarity around that space. We really do need the Commonwealth to start instigating processes through the basin states where it is compulsory where they actually integrate, negotiate and consult with the Indigenous nation groups. But the MDBA, I must say, have been very supportive in a lot of spaces with Indigenous nations, but in saying that there need to be a lot more work done in those areas too.<sup>36</sup>

7.50 The Wentworth Group also raised concerns that some supporting documentation relevant to the Basin Plan was not adequately available for review for the formal consultation process. As Mr Stubbs explained:

**Mr Stubbs:** ... The authority has been releasing material over the whole 20 weeks of the consultation. As I said before, this volume here is one of four volumes that was released about two weeks before the end of the consultation. They are making it very difficult for anyone to actually fully—

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35 Mr Tim Kelly, Chief Executive, Conservation Council of South Australia, Ms Beverley Smiles, Executive Member, Nature Conservation Council of New South Wales, and Ms Juliet Le Feuvre, Healthy Rivers Campaigner, Environment Victoria, *Committee Hansard*, 24 April 2012, p. 31.

36 Mr Grant Rigney, Chairperson, Murray Lower Darling Rivers Indigenous Nations, *Committee Hansard*, 23 April 2012, pp 40–41.

**Senator XENOPHON:** For the benefit of Hansard, that is about 300 pages?

**Mr Stubbs:** A whole range of small reports have been brought together here, and there are apparently four more of those. I know that there is groundwater information which was released after the end of the consultation period.<sup>37</sup>

#### *Committee view*

7.51 The committee acknowledges the effort undertaken by the MDBA to engage with numerous community groups and stakeholders regarding the Basin Plan. The committee also acknowledges the extent of the information that is now available from the MDBA regarding the Basin Plan.

7.52 However, the committee also considers that there have been a number of significant problems with the way that the MDBA has communicated with the public and engaged with stakeholders. The committee is concerned that a number of stakeholders expressed that their views were not appropriately considered or simply dismissed.

7.53 Finally, the committee is of the view that information of greater clarity should have been provided through the development of the Basin Plan and it is particularly concerned that the information about the consequences of the Basin Plan as introduced into Parliament has not been adequately explained to relevant stakeholders and communities.

#### **Recommendation 18**

**7.54 The committee recommends that the government develop a formal process for long-term and integrated engagement with key stakeholders on the implementation of the final Basin Plan.**

#### *Localism*

7.55 The concept of localism as applied to the Basin Plan evolved out of the Windsor report (the House of Representatives Standing Committee on Regional Australia's report, *Of drought and flooding rains: Inquiry into the impact of the Guide to the Murray-Darling Basin Plan*). The Windsor Report emphasised this issue as a key concern with the release of the Guide in late 2010 and noted the need to use local knowledge and reflect local conditions in the development and implementation of the Basin Plan:

It is essential that the final Basin Plan and any related implementation plans (including state water sharing plans) reflect the local conditions in each Basin valley. This includes reflecting the knowledge of the local land and

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37 Mr Tim Stubbs, Environmental Engineer, Wentworth Group of Concerned Scientists, *Committee Hansard*, 23 April 2012, p. 21. Dr Young from the CSIRO as noted a similar experience with the groundwater information, see Dr Bill Young, Director, Water for a Healthy Country Flagship, *Committee Hansard*, 23 April 2012, p. 61



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catchment managers in how to best manage environmental flows and savings and recognising the work done to date by communities in developing state water sharing plans.<sup>38</sup>

7.56 Subsequently, the MDBA has taken steps to address the issue of community level engagement through the concept of 'localism'. When asked by the committee how 'localism' was defined and how it would operate in the context of the Basin Plan, the MDBA responded:

...You do need to operate [localism] at a number of scales. The whole purpose of having a basin wide plan is the connectedness of the system, so we do need to plan for the connections, and people operate at local scales. We believe that the localism concept can operate in pretty much all of the aspects of the basin plan...

In water recovery, we have already been having some discussions with some of the stakeholders in the northern basin, the Lower Balonne working group, about different ways to do recovery and watering in that region that would end up with a more efficient outcome. These are ideas at the moment, but the process which we are wanting to work through is to set up arrangements—as yet undefined, I agree—so that we can work very closely with the communities involved there and with the Queensland department. Hopefully we can work closely with the New South Wales government as well, if they become party to it, to look at better ways of managing the system. That is in the northern basin most particularly, because there is still a lot of unknowns up there. That is a localism approach in looking at how you can work with people on different ways of recovery.

We have also flagged in this document *Delivering a Healthy Working Basin* the idea of setting up a community committee that would advise us on some of the SDL adjustment proposals coming forward from either local communities or the states, so that we can make sure we get the full local perspective on those. Some of those may need to be parcelled up together with each other to enable us to get a full sense of what some of those innovations are going to deliver across the whole system, but we want to set up the arrangements so that can happen...<sup>39</sup>

7.57 The MDBA continued the explanation of localism by highlighting some examples of how it was working in practice in terms of environmental watering. As one MDBA official, Ms Jody Swirepik put it:

The model example at the moment is in Victoria, where they are already work with the Murray-Darling Basin Authority on a hierarchy of identifying at a very local level what they believe their environmental watering priorities are. They do that at a [Catchment Management Authority (CMA)] level. The CMA feeds their priorities into the Victoria

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38 House of Representatives Standing Committee on Regional Australia, *Of drought and flooding rains: Inquiry into the impact of the Guide to the Murray-Darling Basin Plan*, Canberra, May 2011, p. 73.

39 Dr Rhondda Dickson, Chief Executive, MDBA, *Committee Hansard*, 24 April 2012, p. 75.

Department of Sustainability and Environment, who then looks at their own water portfolio in Victoria, the Commonwealth's portfolio and the Living Murray's portfolio. The CMA basically filters out all the requests to go to different water holders to try and get a co-ordinated view of how they meet their state's watering priorities. There is a process by which the CMA relies on local individuals and their own expert staff to gather up priorities. It comes all the way through to being discussed in the [MDBA] in terms of how we implement different watering priorities.

In our processes, which we run at the moment, pretty well, and which we are obliged to run under the basin plan, there are avenues for people to put in their own ideas directly to us. An example of that that has occurred in the last two years was that the Murray Wetlands Working Group put forward a proposal for watering in the Darling Anabranh during the floods initiated in 2010. That was taken up and a combination of New South Wales water, Living Murray water and Commonwealth environmental water-holding water was used to divert water down into the anabranh. It provided the first watering there. It was a small amount—47 gigalitres—but was quite significant in breaking that dry period. And it was significant because of the combination of water-holders who were co-ordinating to bring that event to fruition.<sup>40</sup>

7.58 Overall, the MDBA described localism as a principle by which it would operate in the future.<sup>41</sup>

#### *Criticisms of localism*

7.59 The way that the MBDA had developed the principle of localism to better implement the objectives of the Environmental Watering Plan (EWP) also came under criticism in the committee's hearings. For example, as the NIC put it:

...We have certainly got some mixed messages from the Murray-Darling Basin Authority around the localism issue. It certainly has been promoted that localism would be a huge part of the answer in developing the environmental watering [plan] from here on. Then we have had the chair of the MDBA saying that localism may just further exacerbate the current problems that we have in running a basin-wide system.<sup>42</sup>

7.60 The NIC expanded on its views on localism. In particular, as Mr Chesson explained, the NIC was concerned with how localism was being employed by the MDBA, how it fitted with the other Government strategies for the Basin including the Basin Plan and the tension between centralised and local decision making in this regard:

There was a story floating around just after the plan consultation finished up. It quoted the MDBA CEO Rhondda Dickson as saying if you made a

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40 Ms Jody Swirepik, Executive Director, Environment Management Division, MDBA, *Committee Hansard*, 24 April 2012, p. 75.

41 Dr Rhondda Dickson, Chief Executive, MDBA, *Committee Hansard*, 24 April 2012, p. 76.

42 Mr Stewart Ellis, Chair, National Irrigators' Council, *Committee Hansard*, 23 April 2012, p. 49.

local decision in the Riverland at Berri, it would have an impact somewhere else in the basin, so it is very hard to have localism when the entire plan is about centralising the decision making back to a federal body. I looked at it and thought, hang on, for the last four months we have been told about localism and about the need for local communities to make decisions but then in one hit they seem to be saying that localism could not work because we need to make a federal overarching sort of decision for the whole river, not just a parochial decision. So I was a little bit confused by this, but it is one of those mixed messages that we do seem to get back sometimes.<sup>43</sup>

7.61 Mr Chesson continued to articulate the 'mixed message' concerns:

...We think localism is really important because no-one understands how the whole system works. A lot of people know the rhythm of the river in their own patch but then they are quite ignorant of what happens upstream of them or downstream of them. That is pretty obvious. So it is a mixed message: on one hand 'we want to centralise everything' and on the other hand 'we want localism'. We would love to know whether it is about CMAs or natural management NRMs. Some people suggest it is about Regional Development Australia. I do not know who would deliver on a local basis. It is a conundrum.<sup>44</sup>

7.62 The tension between the centralised decision making and localism was also expressed by Dr Paul Sinclair of the Australian Conservation Foundation:

...[The Murray-Darling Basin] is a system made up of bits that create a whole. Like the saying about finding God in a grain of sand, the smallest bit contributes to the wellbeing of the whole.

Our challenge has always been how we coordinate the Goulburn, the Murrumbidgee or the Kiewa across those state boundaries...in a way that manages it as an integrated system. Localism on its own will not work for the system. It might work for bits of the local environment, but we have to find ways of connecting the local to the regional and to the valley and to the basin. That is the thing that is really hard but also really exciting. I think one of the previous witnesses was involved with the Murray Wetlands Working Group, and community institutions like that are a pivotal link between the overarching basin vision and the actual delivery of water and relationships with people locally in getting that water into the environment.<sup>45</sup>

7.63 Dr Sinclair also highlighted the difficulty in drawing the right balance between localism and central decision making for the Basin. When asked whether he

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43 Mr Tom Chesson, Chief Executive Officer, National Irrigators' Council, *Committee Hansard*, 23 April 2012, p. 56.

44 Mr Tom Chesson, Chief Executive Officer, National Irrigators' Council, *Committee Hansard*, 23 April 2012, p. 56.

45 Dr Paul Sinclair, Healthy Ecosystems Program Manager, Australian Conservation Foundation, *Committee Hansard*, 24 April 2012, p. 41.

thought that the MDBA properly understood the connection between localism and central decision making, he responded:

No. But I do not think many people have, because it is bloody hard and we have not done it before. The thing that gives me great hope is that the investment of successive Australian governments in the regional delivery model of natural resource management has created a framework. We are not at zero. There is an institutional framework out there for doing this stuff that we have to build on, not say, 'Right, get rid of it; start again with some newfangled local thing.' We already have these regional institutions out there. Increasingly, they are involved in the management of carbon in the soils and the landscape, and, increasingly, in the management of water. We need to build their strength and the vertical connection with our overarching plans for the basin.<sup>46</sup>

7.64 However, Dr Sinclair also remained optimistic about how localism could continue to make improvements for the Basin:

...part of the theme of my intro was that we have to recognise that we are not at zero, that we have actually progressed a significant distance. I was at a natural resource management sharing knowledge thing last week. It is amazing the things people are doing in their local patches, but most of them also have a pretty sharp eye to the way that their local action can be amplified to provide a much better model for a bigger area...<sup>47</sup>

7.65 At a community level there was also criticism about how localism (and other stakeholder engagement) would engage communities in meaningful decision making regarding the Basin Plan. As one community member in Hay, NSW stated:

A lot of that need to take water had been decided on long before people were consulted on it, long before the thoughts of localism and adaptive management came into play. A lot of that decision-making process, I feel, has been made at an earlier point. All we can do now as stakeholders is try and influence better outcomes for us in the wake of it.<sup>48</sup>

#### *Committee view*

7.66 In general, the committee supports the concept of 'localism' and agrees that it should be adopted as a systematic part of the implementation of the Basin Plan. It also acknowledges the work completed by the MDBA to date in using it as a principle for developing key aspects of the Basin Plan. While the committee is generally supportive of the concept of localism, the evidence received in the inquiry suggests that much

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46 Dr Paul Sinclair, Healthy Ecosystems Program Manager, Australian Conservation Foundation, *Committee Hansard*, 24 April 2012, p. 41.

47 Dr Paul Sinclair, Healthy Ecosystems Program Manager, Australian Conservation Foundation, *Committee Hansard*, 24 April 2012, p. 41.

48 Mr Jasen Crighton, Director, Crightons Rural Engineering, *Committee Hansard*, 2 April 2012, p. 6.

more work remained to have it used effectively as part of the EWP and the Basin Plan more broadly.

7.67 However, as with so many aspects of the Basin Plan, the MDBA needs to work harder to clearly articulate how localism will continue to be used in future. The committee is concerned that this is an area where key stakeholders feel they have received mixed messages on the issue.

7.68 In particular, the MDBA needs to delineate how localism applies in certain cases or issue areas from the features of the Basin Plan that will appropriately remain under central control. Localism should remain a flexible option to solve problems regarding the Basin Plan as needed. However, the committee is of the view that the use of the localism concept should not confuse or muddle the process of implementing the Basin Plan.

### **Recommendation 19**

**7.69 The committee recommends that the MDBA provide a clear explanation of how 'localism' is to be implemented under the Basin Plan.**

