

Additional Comments by Senator Nick Xenophon

1.1 The Murray-Darling Basin is one of Australia's most important ecosystems. It is a vital part of our nation's food production and the source of employment for hundreds of thousands of Australians. There is no doubt this valuable resource needs to be managed in such a way as to optimise its output and ensure the Basin's future health.

1.2 However, I am concerned the Murray-Darling Basin Plan as passed by the Federal Parliament will fall short of achieving such outcomes. The committee's majority report makes a number of sensible – and desperately needed – recommendations as to how the Basin Plan could be improved.

1.3 Importantly the committee has identified that the Murray-Darling Basin Authority (MDBA) is yet to produce a non-technical explanation of the hydrological modelling and assumptions used to develop the 2750 GL/y environmental water recovery. The MDBA should also undertake urgent modelling of a number of different environmental water recovery scenarios (including up to 4000 GL/y) given the weight of evidence that suggested the 2750 GL/y figure is insufficient to flush 2 million tonnes of salt from the system each year.

Recommendation 1

1.4 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 both a technical and non-technical explanation and conducted in a timely manner.

1.5 On 26 October 2012 the Prime Minister announced that the Government would:

...provide \$1.77 billion over ten years from 2014 to relax key operating constraints and allow an additional 450GL of environmental water to be obtained through projects to ensure there is no social and economic downside for communities.¹

1.6 While the \$1.77 billion fund and additional water flows could bring about significant improvements to the health of the River Murray, a number of stakeholders have raised concerns about whether the aims of such measures will be achieved.

1.7 Professor John Williams, Dean of Adelaide Law School and vice-president of the Australian Association of Constitutional Law summarised some of the concerns in an article in the Adelaide Advertiser:

1 Prime Minister, the Hon. Julia Gillard MP and Minister for Sustainability, Environment, Water, Population and Communities, the Hon. Tony Burke MP, Press Release, 'Returning the Murray-Darling Basin To Health', 26 October 2012, www.pm.gov.au/press-office/returning-murray-darling-basin-health.

There are obvious activities that would be required to deliver the additional water for the Murray. However, the Bill does not prioritise these activities. The temptation to focus on infrastructure rather than reducing the over-allocation of the river may prove irresistible. Further, the link between the expenditure of the fund and measurable outcomes for the health of the River is poorly made.²

1.8 Mr Tim Kelly, Chief Executive Officer of the Conservation Council of South Australia echoed these concerns:

The additional 450 gigalitres of water from a special account may never be achieved, even if up to \$1.77 billion is spent on additional infrastructure. There is no absolute requirement in the special account bill for these funds to be spent to achieve the additional water.³

1.9 I believe that when allocating funding, priority must be given to projects with maximum guaranteed water returns to the system within the shortest timeframe, taking into account social and economic factors, as well as early adopters of water efficiency measures.

1.10 I have repeatedly raised concerns about the glib attitude taken by both the Federal Government and the MDBA in respect of recognising and rewarding irrigators for past efficiencies and investigating the comparative efficiencies of different irrigation regions. This attitude was clearly displayed during my interchange with the MDBA's Chief Executive, Dr Rhondda Dickson, during Senate Estimates in May 2012:

Senator XENOPHON: ...but can you establish how efficient an area is and when it became efficient, can't you? This 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.⁴

Recommendation 2

1.11 Urgent modelling be undertaken to establish the comparative efficiencies or irrigation communities in the Murray-Darling Basin to ensure fair treatment of irrigators, particularly with respect to allocating funds for water efficiency projects.

1.12 South Australian irrigators have applied for funding under a number of Federal Government programs, including the \$5.8 billion Sustainable Rural Water Use and Infrastructure Program. However, due to irrigators' already high levels of efficiency, many of them have been deemed too efficient to qualify. For this reason

2 Professor John Williams, "River Murray agreement to waterproof SA may turn out to be a castle built on sand", *Adelaide Advertiser*, 12 November 2012.

3 Mr Tim Kelly, CEO of the Conservation Council of South Australia, Senate Environment and Communications Legislation Committee, *Committee Hansard*, 12 November 2012, p. 9.

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

consideration must be given to providing funding for research and development as well as for emerging technologies.

Recommendation 3

1.13 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 as well as for emerging technologies projects.

1.14 The impact of the lack of funding through such programs mentioned above, together with possible distortions of the water and commodity markets through the current market-based water buyback system continues to be of grave concern for me. These issues were raised with the Chair of the Murray-Darling Basin Authority in April 2012:

Senator XENOPHON: Can I go then to a fundamental issue for South Australia, and that is in terms of its history of being an early adopter of water efficiency measures and that South Australia has, I think you can say, by and large abided by the cap since 1968, whereas, for instance, New South Wales, because of the activation of sleeper licences and whatever, has increased its take by about 3,000 gegalitres a year since that time. This is not a criticism of New South Wales but a matter of fact. How was that taken into account in terms of the equity of determining which state cops what in terms of cutbacks? I think one of the arguments that you put, Mr Knowles, at forums — and I appreciate that you have been available for those forums in a very open way — is that the market will sort itself out to some extent. But to what extent is the water market itself distorted by virtue of the infrastructure fund which other states can access and South Australia really cannot to any great degree?

Mr Knowles: That is a very good question — the second half of it, certainly — and one which is almost impossible to answer. The only comments I can make are in these veins. First of all, as you know, because you have been at some of the meetings, we have recognised, if you like, the historic effort of particularly Riverland irrigators...⁵

1.15 Our interchange continued:

Senator XENOPHON: ...Isn't the market to some extent altered, distorted or skewed by virtue of the efficiency fund, that \$5.8 billion fund, because those who can get it get to keep half the water, so that in effect affects the market?

Mr Knowles: It may, but, equally, isn't the market distorted by the four per cent cap on trade rules? Isn't the market distorted by the—

Senator XENOPHON: No, I was not asking about that. You acknowledge that the market could be distorted by virtue of the—

5 The Hon Craig Knowles, Chair, Murray-Darling Basin Authority, *Committee Hansard*, 23 April 2012, p.12.

Mr Knowles: I think it is fair to acknowledge that we are not working in a pure market. Every state boundary creates a range of artificial barriers, one of which is access to funding because of efficiency...⁶

1.16 The discussion above illustrates the difficulties involved in having concerns about the distortion of the water and commodity markets allayed in any form.

Recommendation 4

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

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6 The Hon Craig Knowles, Chair, Murray-Darling Basin Authority, *Committee Hansard*, 23 April 2012, pp. 12–13.