



# National Irrigators' Council

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Ms Christine McDonald  
Secretary  
Senate Environment and Communications Legislation Committee  
Parliament House  
Canberra ACT 2600

Dear Ms McDonald

## **Re. Inquiry into the Water Amendment (Purchase Limit Repeal) Bill 2019**

Thank you for the invitation to provide a submission to the above inquiry.

The National Irrigators' Council (NIC) does not support this bill and suggests the committee should recommend that the Senate also not support the bill.

In providing comment on the bill this submission is assuming a level of knowledge about some aspects of the Basin Plan including the supply measures that make up the Sustainable Diversion Limit (SDL) Adjustment Measures – sometimes known as 'down-water.' NIC is happy to elaborate on any aspects of this should it be required.

In opening we would point the committee to NIC's policy principles around management of water. These principles make it absolutely clear that health of the river system is a key objective. Our members are deeply committed to the health of the land and the rivers; they are partners in river recovery not enemies.

NIC wants to see healthy rivers; healthy communities and a continued capacity to produce food and fibre for Australia. This bill does not help to achieve that.

At its core the Basin Plan is a unique and historic agreement between the Basin States and the commonwealth. It is a complex, difficult and ultimately world leading reform – but it cannot succeed without bipartisan and inter-jurisdictional cooperation. The approach in this bill puts that at risk.

We are currently in the midst of a serious drought. Irrigators in many parts of the Basin are experiencing very real drought impacts, loss of production causing lost income and increasing debt. This all has a negative impact on mental health and morale. To make that worse many of the Basin's irrigators feel that they are being unfairly blamed for environmental problems caused by drought, once again that impacts on mental health and the well-being of families.

This bill, and its timing, exacerbate that negative impact.

NIC reasons for our opposition to this bill can be summarised as:

- The removal of the cap would create [uncertainty and concern for basin communities](#);
- The 605GL of Supply measures under the SDL Adjustment Measures are not due to be in force for [some years making any need to recover a gap premature](#);
- The passage of this bill would be [holding a stick over communities](#) and industries who have no power to guarantee the successful implementation of the supply measures;
- [The bill is unnecessary](#).

## Importance of Murray Darling Basin irrigated agriculture to Australia

The Murray Darling Basin is Australia's most important food and fibre production catchment. By value 41% of Australia's total agricultural production comes from the Basin, of that the Basin's irrigators grow 30%.

In 2016-17 Basin irrigated production was worth \$7.2 billion of Australia's \$15 billion in irrigated production. That generates tens of thousands of jobs in hundreds of Basin communities.

[Attachment A is a bar chart which illustrates the vital contribution irrigators make to feeding and clothing Australia](#). Below are the last available ABS statistics showing the importance of the Murray Darling to the same products.

Table 1: gross value of irrigated production in the Murray Darling Basin (MDB)

| Source: ABS GROSS VALUE OF IRRIGATED AGRICULTURAL PRODUCTION-2016-17 |  |   |   |   |   |                                   |  |
|--|--|---|---|---|---|-----------------------------------|--|
| Data item  | MDB Gross Value of Irrigated Production (\$) | MDB Irrigated as % of MDB Ag production | MDB Gross Value of Agricultural Production (\$) | MDB Irrigated as % Nat Irrigated production | National Gross Value of Irrigated Production (\$) | MDB Irrigated as % of National Ag | National Gross Value of Agricultural Production (\$) |
| <b>Total</b>   | 7,195,157,137                                | 29.04%                                  | 24,774,569,290                                  | 46.38%                                      | 15,512,075,989                                    | 11.83%                            | 60,842,289,228                                       |
| <b>Rice for grain</b>  | 251,875,055                                  | 100.00%                                 | 251,875,055                                     | 99.78%                                      | 252,436,031                                       | 99.78%                            | 252,436,031  |
| <b>Cereals for grain and seed</b>                                    | 237,537,102                                  | 4.32%                                   | 5,499,037,216                                   | 76.92%                                      | 308,820,168                                       | 2.16%                             | 10,993,504,045                                       |
| <b>Cotton</b>  | 1,430,131,326                                | 89.84%                                  | 1,591,924,903                                   | 94.22%                                      | 1,517,874,490                                     | 85.06%                            | 1,681,239,899  |
| <b>Nurseries, cut flowers and cultivated turf</b>                    | 200,566,785                                  | 69.25%                                  | 289,635,581                                     | 15.12%                                      | 1,326,424,263                                     | 12.76%                            | 1,572,126,335  |
| <b>Other broadacre crops</b>   | 76,353,920                                   | 2.73%                                   | 2,792,001,950                                   | 47.34%                                      | 161,285,418                                       | 1.43%                             | 5,334,896,422  |
| <b>Vegetables</b>  | 917,987,109                                  | 89.17%                                  | 1,029,485,649                                   | 27.85%                                      | 3,295,633,716                                     | 23.52%                            | 3,903,806,093  |
| <b>Fruit and nuts (excluding grapes)</b>                             | 1,670,255,024                                | 92.85%                                  | 1,798,801,095                                   | 47.38%                                      | 3,525,373,067                                     | 39.45%                            | 4,234,058,263  |
| <b>Grapes</b>  | 992,806,490                                  | 91.44%                                  | 1,085,777,470                                   | 74.06%                                      | 1,340,575,516                                     | 67.32%                            | 1,474,842,116  |
| <b>Dairy production</b>  | 704,943,464                                  | 72.89%                                  | 967,140,671                                     | 43.42%                                      | 1,623,468,019                                     | 19.08%                            | 3,694,764,223  |
| <b>Production from meat cattle</b>                                   | 322,206,309                                  | 8.95%                                   | 3,600,764,185                                   | 47.06%                                      | 684,688,666                                       | 2.65%                             | 12,139,339,124                                       |

## Concerns for Basin Communities

The bill seeks to repeal an amendment made to the Water Act 2007 which was introduced with the specific intention of providing some certainty to Basin communities. At the time the amendment was made it received the support of the Coalition and Labor. Securing the cap represented a significant step towards building confidence in the irrigated agriculture sector in the Basin and greater long-term certainty for the environmental, social and economic outcomes of the communities that depend on the Basin's water resources.

In passing the initial cap amendment the Parliament was entirely consistent with the policy positions put previously by Labor when it introduced the Basin Plan in 2012. Then Minister, the Hon Tony Burke MP, made it clear that the bulk of water recovery via purchase was complete and that the focus from there on would be on recovering water via efficiency measures.

At the time it was made clear that the focus on recovery via efficiency measures would negate the need for further large structural adjustment programs.

Providing this degree of certainty about recovery targets for Basin Communities has allowed many communities and irrigation districts to plan for the future and be active and constructive participants in Basin Plan implementation.

Removing this small degree of certainty at this half way point of implementation of the Basin Plan, would introduce doubt into investment that has or is being made in regional economies. It would also generate heightened suspicion and opposition to the Basin Plan making the remaining, and quite challenging stages of implementation much harder to achieve.

It is important in putting these points to make it clear why Basin communities, with irrigated agriculture as significant economic drivers, oppose buyback.

Buyback has been used to achieve a large portion of the recovery target in the Basin Plan. More recently it has been used in a more targeted way to reach specific catchment targets. There is now significant experience of its impacts and well proven scientific evidence that communities, who have had water recovered through buyback, experience significant negative socio-economic outcomes.

The evidence shows a real difference in outcomes between recovery via efficiency measures and buyback.

The most comprehensive research on this was undertaken by the MDBA. Their peer reviewed research went community by community detailing changes in the amount of water available, the impacts on agricultural production, on and off farm employment. Importantly, this research went to extensive length to separate out non Basin Plan impacts, including things like the reduction overall in agricultural employment.

This research (and any familiarity with Basin communities) will tell you that local impacts vary significantly from community to community. It is completely invalid (and quite ludicrous) to suggest that an analysis of the Basin, as a whole, without

community by community breakdown, can make a genuine contribution to considering impacts.

The Basin is a very large area and it includes a number of cities that are not driven by agriculture or particularly irrigated agriculture (it includes Canberra for example).

What we know from the MDBA research is that the communities that had the most water recovered through buyback have seen significant loss of jobs and population. In some cases, the impact on communities was more than 17 times greater than the impact of the closure of motor vehicle manufacturing on Adelaide.

Socio economic research conducted in Victoria has shown similar conclusions.

Unfortunately, some recent reports have sought to dismiss this on-the-ground socio-economic research. These reports include the South Australian Royal Commission and the recent Academy of Science review into fish deaths.

In doing so, both appear to have failed in their duty to review the actual data themselves, instead relying primarily on a single source of very questionable criticism based on superficial Basin wide economic modelling. That superficial economic analysis for example did not properly examine community specific data and factors, nor did it appear to consider flow on community impacts.

People who suggest that negative impacts of buybacks have been exaggerated will often say that irrigators benefit from buyback and may seek to justify comments by saying often only part of the water is sold – meaning production continues.

These naive comments fail to recognise that irrigated agriculture produces a much larger number of on farm jobs, and flow-on off farm jobs, than dry land agriculture. A large irrigated cotton farm for example might employ 20 or more people on farm; conversion to dry land production could see 17 of those people out of work.

The flow on impact runs right through a local economy, less people are needed to transport and process crops, there is less income for farm support businesses and less spent of food and accommodation.

Recovery of water through efficiency measures does have a higher upfront cost to Government, but it has the effect of enabling production to be maintained usually by significantly reducing the quantity of water required for each ton of produce. That means a similar number of jobs on farm and maintenance of flow on jobs in supply, processing and transport.

It is this impact on communities that causes them to be opposed to buyback and therefore to a measure which threatens a significant increase in buyback.

### **Supply measures have several years to be delivered**

In announcing the intent to introduce this bill, Labor's shadow Minister Tony Burke made it clear that he was giving a strong indication that the supply measures

projects had to be delivered and, if there was a shortfall in the equivalent 605GL, it would have to be made up with purchases.

This ‘threat’ of action is premature. All involved in the Basin Plan recognise that the supply projects are very challenging and they recognise that any risk of shortfall may represent further recovery of water. From the point of view of irrigators and irrigation communities that is something to be avoided.

However, the projects have until 2024 to be implemented and it would be quite inappropriate to be seeking to recover some or all of the 605GL before then.

It is instructive for the committee to consider the very detailed work undertaken by the Productivity Commission in its comprehensive five-year review of the Basin Plan. In discussing the supply measures projects, the Commission said:

*“Failure to successfully implement these projects by 2024 would mean that either Basin States or the Australian Government will most likely need to make good any shortfall in the offset, which could include further water recovery. The 2024 deadline for a number of these projects (particularly the constraints projects) is highly ambitious, if not unrealistic.*

*The timeframe for implementation (which is already delayed) will continue to be compressed until Governments resolve significant policy issues including funding arrangements, responsibility for making good if projects fail and ongoing costs associated with assets. Agreement on these issues is urgent, as works cannot commence until they are resolved.*

*Strictly enforcing the 2024 deadline could lead to the abandonment of worthwhile projects.*

*To enable worthwhile projects to be implemented in realistic timeframes, Basin Governments should be open to the possibility of extending the 30 June 2024 deadline and make this clear to project proponents prior to detailed business cases being completed. This should not be interpreted as scope for a blanket extension for all projects or a reason for Basin States to procrastinate. Nor is it a reason to avoid making good if projects fall short. But being open to legitimate extensions of time avoids rejecting worthwhile projects or progressing projects with milestones that just cannot be met. Projects with unrealistic milestones will likely further erode community confidence that projects are achievable and worth doing.”* (Productivity Commission, 2018, p. 19)

The Productivity Commission has set a way forward through the difficult process of implementing the remaining elements of the Basin Plan. Their recommendations should form the basis of future Government action.

The passage of this bill, including the implied threat of hard, if not advanced, deadlines is quite unhelpful and undermines the process understood, and accepted by the irrigated agriculture.

## Holding the big stick over the wrong people

As mentioned, there is a strong risk that if supply measures projects are not successfully delivered there will be a requirement to recover the shortfall.

That is a direct risk to the irrigated agriculture sector and to the livelihoods of the rural communities who have a strong irrigation component in their economies. The problem is that while communities bear the risk, Governments have the responsibility.

That separation of risk and responsibility is a major concern.

As the Productivity Commission extract above confirms, the main culprits for lack of progress on some of the significant projects are Governments.

Using the threat of more buy backs certainly causes communities and the irrigation sector great concern. However, we argue it is completely ineffective as a tool to get projects moving, since the sectors that would suffer are not in a position to accelerate or guarantee the success of the projects.

## The bill is unnecessary

### *The cap hasn't been reached*

Since the 1500GL buyback cap was implemented (with bipartisan support) there have been targeted buybacks of water and these can continue. There remains approximately 280GL before the cap would be reached.

This provides more than enough room to ensure all valley recovery targets are achieved should this or a future Government decide buybacks are the way to achieve them. From our sector's view, our industry recognises that sometimes targeted buybacks might be used, however we have made it clear we are strongly opposed to large general buybacks.

Nevertheless, the fact that the cap has not been reached makes it clear that this bill is unnecessary.

### *The cap can be abolished by the Minister after a review*

The second reason the legislation is unnecessary is because the existing legislation already contains a provision for the cap to be removed if the Minister believes that is justified – after a review of the Basin Plan.

The Water Act 2007 says at 85C(2):

- (2) Subsection (1) ceases to have effect on the first occasion after the commencement of this section when a report is given to the Minister under subsection 50(5).

Subsection (1) is the cap provision.



Subsection 50(5) provides for 10-year reviews of the Basin Plan, however it also provides for:

- (2) The Authority must review the Basin Plan if:
- (a) the Minister requests the Authority to do so; or
  - (b) all of the Basin States request the Authority to do so.

NIC's reading of this provision is that the Minister is enabled to request the Authority to undertake a review at any time. Based on that review a Minister could then cease the cap. Clearly NIC's preference would be for the cap to stay in place, however, this section allows it to be removed following a review, making this legislation completely unnecessary.

It is more appropriate for a change to the cap to occur after a review which (hopefully) might include public consultation and independent assessment of the need for any water recovery in excess of the cap.

## Conclusion

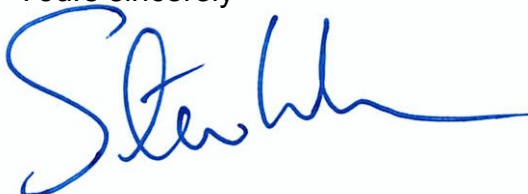
The Murray Darling Basin Plan was an historic agreement, bringing together and gaining support for the first time all Basin states and the major parties. It is unique on a world scale; no other country has attempted to restore such a large catchment.

It is difficult and complex, but it is the fact that it seeks to balance a sustainable outcome with the future of rural communities and productive agriculture that gives it the best chance of success.

Unfortunately, this legislation does little to help it on its way, and the fact that it is unnecessary makes it quite clear that it is intended to be a 'big stick' threat – a threat being made to the people and communities whose support is most needed to make the Plan a success.

NIC urges the committee to recommend this legislation not be supported.

Yours sincerely



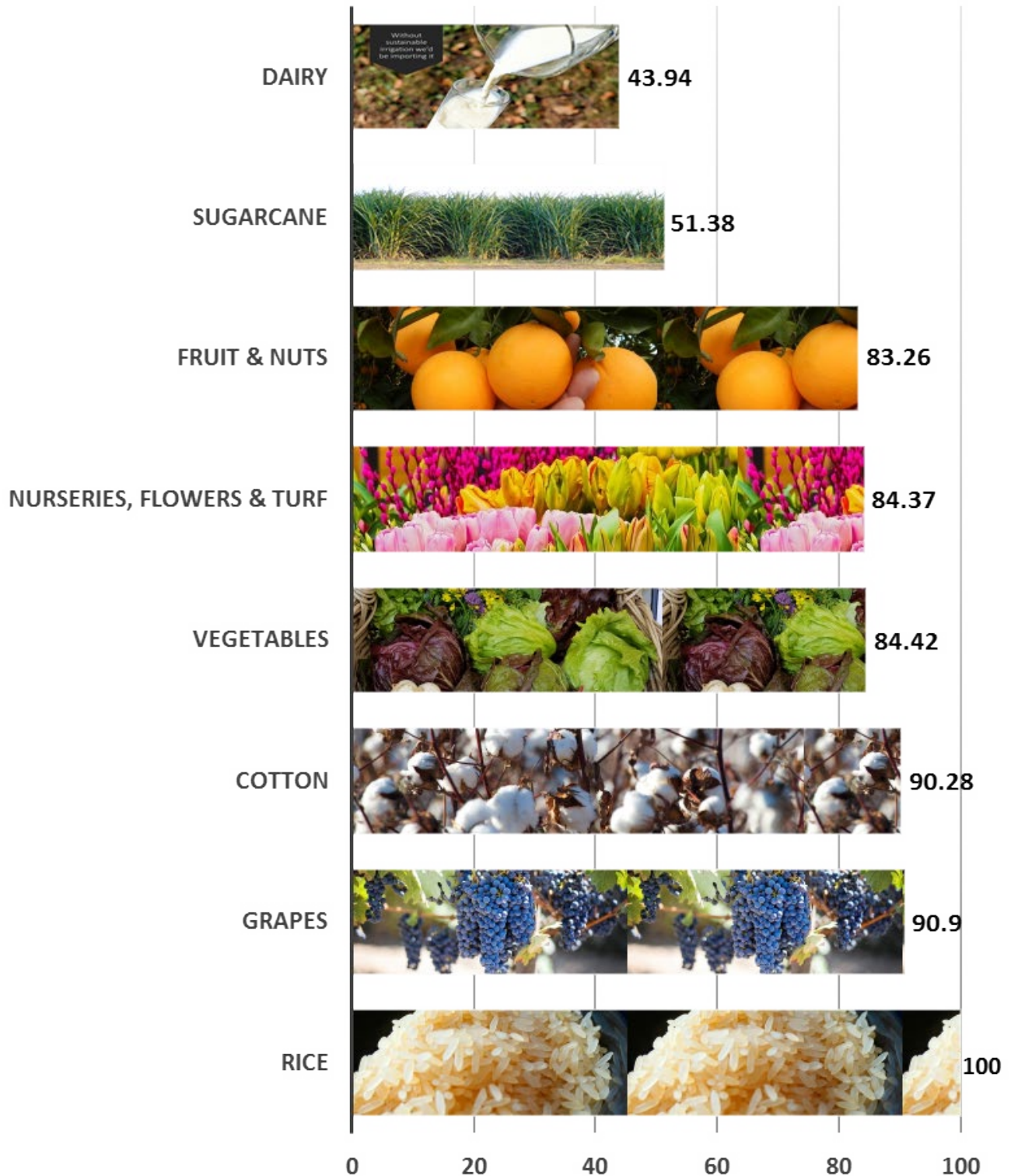
Steve Whan  
CEO  
National Irrigators Council

1 March 2019

Attachment A – Chart of irrigation contribution to Australian food and fibre production  
Attachment B – NIC Media Release

## Attachment A

**Irrigators grow Australia's food and fibre**  
 % of Australian production (by value) from irrigation  
 2016-17 (ABS figures)





## Loss of bipartisanship a concern for Basin Plan communities and environment

With only months to go until a Federal election the apparent slip in the bi-partisan support for the Basin Plan should cause concern to anyone interested in achieving this ambitious environmental reform.

CEO of the National Irrigators' Council, Steve Whan, says "the danger to the Plan comes, unfortunately, from the architects of the original Plan, Labor. Labor's plan to move a private members motion to remove the cap on buybacks - put in place by the coalition Government with the support of Labor.

"This seems to be a knee jerk and unnecessary response to recent publicity.

"It's unnecessary because the cap has not been reached and it is, in the longer term, not permanent.

"Basin communities who have thousands of jobs reliant on irrigated agriculture strongly oppose buybacks because they have seen the on the ground evidence of the the loss of jobs and population water buyback causes.

"That serious negative socio-economic impact has been confirmed by detailed, peer reviewed, scientific studies that have looked at individual community impacts.

"Probably the most offensive aspect of the recent South Australian Royal Commission findings was the Commissioner's arrogant dismissal of socio-economic impacts. It's very easy for wealthy Sydney lawyers to dismiss the impact on people who live in regional communities, but it isn't something we expect to see from Labor.

"There is room in the current cap for the next Government to continue to undertake targeted buybacks and there is certainly capacity to ensure that the 605GL of supply measures are delivered.

"Those supply projects are proceeding very slowly, but that is not the communities' fault. Labor's commitment should be to speed up the wheels of Government on these projects, not push the blame, and the cost, on to people who have no control.

"We need to be very clear that we will not get the Basin Plan implemented and therefore we will not get further environmental improvement, if the Plan goes back to having battlelines drawn. Labor needs to remember its responsibility to the long term not just focus on today's headlines."

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**Tuesday 12 February 2019**