



# **REVIEW OF THE OPERATION OF THE CAP**

## ***RESPONSE SHEET FOR COMMENTS ON DRAFT REPORT***

The March 2000 draft report on the **Review of the Operation of the Cap** by the Cap Project Board to the Murray-Darling Basin Ministerial Council is now available for public comment. Comments on the draft report are due by **10 July 2000**.



The draft report, and further copies of this response sheet, is available from the Murray-Darling Basin Commission and from the Commission's web site:

[www.mdbc.gov.au](http://www.mdbc.gov.au)

If you wish, you may use this form to tell us what you think about the position of the Cap Project Board in their report on the Review of the Operation of the Cap. If there is insufficient space on the form, you may add additional sheets or write a separate submission.

The draft report will be modified to reflect comments received and a final report on the Review of the Operation of the Cap will be presented to Ministerial Council Meeting 29 in August 2000.

Those who provide comments will receive a copy of the final Report once it has been approved by the Ministerial Council.

COMMENTS BY: North East Catchment Management Authority

CONTACT DETAILS: 1 McKoy Street, Wodonga

DATE: 30 June 2000

The deadline for comment is **10 July 2000**.

Comments (by e-mail if possible – this response sheet is available electronically on the Commission's web site) should be directed to:

- Review of the Operation of the Cap  
Murray-Darling Basin Commission  
GPO Box 409  
CANBERRA ACT 2601
- or your local member of the Community Advisory Committee (CAC). Those comments made via the CAC that are received prior to **Friday 16 June 2000** will be considered at CAC Meeting 24 – 27 June 2000.

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	Cap Project Board Position	Comment
<b>Ecological Sustainability of Rivers</b>	The Project Board has concluded that the Cap has been an essential first step in providing for the environmental sustainability of the river system of the Basin. Without the Cap, there would have been a significantly increased risk that the environmental degradation of the river system of the Murray-Darling Basin would have been worse.	The North East Catchment Management Authority agrees that the introduction of the Cap is an essential first step, however 5 years is too short a timeframe to expect to see any positive effects on environmental degradation.
	However, the Project Board has concluded that there is no certainty that the Cap on diversions at its current level represents a sustainable level of diversions – the level at which it is set being that which existed at the time when it was decided to introduce a Cap. Further, the Project Board recommends that as better information informs our management of the Basin’s resources, the level at which the Cap is set should continue to be refined to reflect our increased understanding. It is likely that such refinements may lead to the lowering of the level of the Cap in some valleys. Indeed, some jurisdictions have already increased the environment’s share, via access restrictions in addition to that required by the Cap, as part of their longer-term direction of improved water management.	<p>The Cap is set at a level of diversions that contribute to the current degradation of the riverine environment. The Cap is an essential step in slowing that decline, however, the Cap at its current level may not improve the riverine environment. The CMA concurs that refinements to the Cap may lead to a lowering of the Cap in some valleys.</p> <p>Until the environmental flow requirements are better defined there should be no additional privatisation of rights to water.</p> <p>The present rights should continue until such time as additional information highlights that the current Cap level is not achieving the desired environmental outcomes, (eg Sales water entitlements).</p>

	Cap Project Board Position	Comment
<b>Economic and Social Impacts</b>	The Project Board considers that there is compelling evidence that the Cap has already delivered significant economic and social benefits to the Basin community and that the net benefit will increase over time.	The Cap has delivered an awareness to the whole community and security to those people who hold water rights
	The results of research conducted for the Review make it clear that, in the absence of the Cap, the erosion of security of supply for irrigators and other users would have been significant. These analyses were performed on several systems across the Basin reflecting diverse agricultural practices and climatic conditions.	The CMA agrees with this point
	Through guaranteeing security of water supply at the valley level, the Project Board views the Cap as having provided a more certain climate for long-term investment and development, particularly in high value agriculture and value adding processing, as well as providing benefits to the environment.	The CMA believes it is far too early to make this claim, particularly since equitable water trading rules have not been established throughout the Basin.
	The Project Board considers that the Cap has provided a mechanism for restraining, in an orderly fashion, growth in diversions while enabling economic development to proceed.	The Cap has not been effectively implemented in Queensland, ACT and parts of NSW. Victoria and SA have been disadvantaged by acting appropriately, quickly and decisively to implement the Cap.
	The Project Board recognises that this strong positive conclusion will not be the perception of every stakeholder in the Basin. However, the Project Board concludes that the overall benefit of the Cap, especially from ensuring security of supply at a valley level and providing an environment within which water trading and related reforms could be developed, has been a positive one.	<p>The CMA agrees that the overall benefit of the Cap, especially from ensuring security of supply at a valley level and providing an environment within which water trading and related reforms could be developed, has been a positive one.</p> <p>The CMA is supportive of the Cap and encourages its finalisation in all States.</p>

	Cap Project Board Position	Comment
<b>Equity</b>	<p>The Project Board identified several equity issues (notably Cap arrangements for Queensland and the ACT) of longstanding duration that require urgent resolution. In addition there are several more recently identified equity issues (floodplain and overland flows and diversions, farm dams and tree plantations) also requiring attention. The effective management of these issues will necessitate a total catchment management approach to water management that embraces both surface and groundwater resources.</p>	<p>Equity in sharing water from floodplain and overland flows and diversions, farm dams and tree plantations should be negotiated.</p> <p>Irrigation farm dams in the Basin should be licensed and water use quantified.</p> <p>Efficiency should be recognised when allocating the Basins yield.</p> <p>The CMA supports a total catchment management approach that embraces both surface and groundwater resources.</p> <p>The CMA supports revegetation and plantations because of its positive benefit to salinity and water quality. The CMA strongly urges that any accounting of water use by plantation not be dealt through normal market mechanisms (i.e. payment of water allocation in the trading market) but through the use of environmental credits. The CMA recommends that a system of environmental credits be developed.</p>

<p>The Project Board focused on equity issues arising from the implementation of the Cap between jurisdictions and between river valleys within States. In several cases, the submissions received by the Review of the Operation of the Cap raised equity issues that are about the details of implementation within valleys which are outside the jurisdiction of the Murray-Darling Basin Commission and Ministerial Council processes. The vast majority of such issues related to the recognition of licensed entitlement versus history of use, specifically in New South Wales (the “sleeper/dozer” issue). Such issues need to be dealt with by the particular jurisdiction concerned. In order that all submissions receive appropriate attention, these submissions and that of the CAC have been referred to the appropriate Government for consideration and reply.</p>	<p>The CMA agrees that Victoria must make equitable arrangements to share its resources, develop meaningful ‘exchange rates’ and encourage trading.</p>
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	Cap Project Board Position	Comment
<b>Implementation and Compliance</b>	The work of the Independent Audit Group (IAG) on the ongoing implementation of the Cap and compliance of actual diversions with Cap target diversions has provided a clear direction for the finalisation of the implementation phase of the Cap. The Project Board generally supports the IAG recommendations.	The MDBC should start a 'continuous accounting method'. The MDBC should strengthen its commitment to complying with IAG recommendations
	Significantly, effective compliance tools (computer simulation models used to determine Cap target diversions) have not yet been developed and the Project Board recommends that a high priority be given to the finalisation of these models.	The CMA agrees that the finalisation of the models must be completed as a matter of highest priority.
	The Review has found that Victoria and South Australia have complied with the Cap, while Queensland and ACT are yet to complete the establishment of their respective Caps. Nevertheless, it is apparent that in Queensland there has been significant growth in storage which will impact on the water available for alternative consumptive and environmental uses. In New South Wales, the Cap has been breached in the Barwon-Darling system, with other valleys being within Cap limits.	The CMA agrees that all States must comply with the Cap, as other States' non compliance undermines the whole process.

	Cap Project Board Position	Comment
<b>Schedule F to the Murray-Darling Basin Agreement</b>	The most important challenge in Cap implementation is to finalise the arrangements under “Schedule F – Cap on Diversions” to the <i>Murray-Darling Basin Agreement</i> . This schedule is the primary tool for defining Cap arrangements especially those concerned with assessing compliance and its consequences.	The CMA agrees
	With the intent of improving the operation of the Cap through the development of fair and meaningful compliance arrangements, the Project Board invites comments on the following modifications to Schedule F which have been recommended by the IAG:	
	<ul style="list-style-type: none"> <li>Removal of references to end-of-valley flows as a method for Cap compliance.</li> </ul>	The CMA advocates the retention of end of valley flows to be used as a cross check for diversion measurement and to measure environmental flow in river systems. All irrigation use should be metered by 2005 and a moratorium of new licences for additional water should be invoked.
	<ul style="list-style-type: none"> <li>Arrangements for remedial actions in the case of Cap exceedence. The recommendation of the IAG is that States be required “<i>to ensure that cumulative diversions are brought back into balance with the Cap</i>”.</li> </ul>	The CMA agrees, a method of continuous accounting should be developed.
	<ul style="list-style-type: none"> <li>re-setting the commencement date for accounting for diversions under the Cap to start with the 2000/01 water year.</li> </ul>	The CMA agrees with this statement, only if all States commit themselves to total diversion figures by 1 December 2000.

	Cap Project Board Position	Comment
<b>Sustainable Rivers Audit</b>	<p>With the implementation of the Cap nearing completion in most jurisdictions, there is now the opportunity to take the “next step” and to consider the environmental outcomes of the Cap from a whole of Basin perspective. The Project Board supports the introduction of a regular Sustainable Rivers Audit which would cast the Cap as an input to Basin health, rather than an outcome in itself. Whereas the Cap is seen as the first step towards achieving the longer-term objective of the <i>Initiative</i>, a Sustainable Rivers Audit can be viewed as the next step in the process of achieving this objective.</p>	<p>The sustainable river audit is strongly supported by the CMA as the next stage in developing environmental flow policy of our large river system. The CMA would also commit support in carrying out such an audit by providing information on the Index of Stream Condition (180 sites established in the North East) and any relevant information the CMA has with regards to environmental flows.</p> <p>There have been a number of other studies that have looked at the sustainability of various systems, the results may be of use.</p> <p>The CMA is currently developing sustainable catchment indicators that may be of use to the Project Board.</p>

	Cap Project Board Position	Comment
<b>Any Other</b>	<p>Are there any other issues raised in the draft report that you wish to comment upon?</p>	