

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

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:

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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
Attn: Dr Tony McLeod, Project Manager
Tel: 02 6279 0144
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- 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.

	Cap Project Board Position	Comment
Ecological Sustainability of Rivers	<p>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.</p>	<p>We agree that CAP is essential to ensure environmental sustainability of the Basin. As highlighted later in the comments we need to ensure that CAP does not result in environmental degradation in the irrigation areas by increasing risk of salinisation of land due to inadequate leaching fractions, increased salinity levels in drains and eventually increased salinity and contamination levels in rivers.</p>
	<p>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>	<p>As researchers in environment we believe the purpose of the CAP is to ensure adequate flows are maintained in the rivers to support the flora and fauna. However there is a lack of understanding on what are the desired levels of flows in the rivers to achieve this. Perhaps we need to challenge ourselves on the water trading and inter valley transfers whether they are helping the cause. The adequate water levels in the rivers will be maintained only by a better understanding of the systems from the farm to the basin level and introducing innovative management concepts to absorb peak periods of demand such as storages within the irrigation areas and along the streams..</p>

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Economic and Social Impacts	<p>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.</p>	<p>From the statistics projected by the irrigation areas there is a risk of losing significant number of jobs. There is not enough data to support this claim.</p>
	<p>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.</p>	<p>We believe it is not the CAP but water trading into the irrigation areas which will increase the security of supply but a cost of benefiting the larger enterprises which can afford to so. According to the CAP's definition the maximum allocations are at the 1993/94 level of development and the water availability in a given year will depend on the climatic suitability to do so. Same was true before the implementation of CAP. Recent experience shows that irrigation seasons start with much lower allocations with little certainty to farmers to enable them make firm decisions on what to grow. May be CAP will result in long term security to the active players whereby sleepers and dozers will suffer.</p>
	<p>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.</p>	<p>We agree in the long term impacts.</p>
	<p>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.</p>	<p>We agree it will stop growth in diversion but the economic development growth is not clear at this stage. May be it will be at the cost of shifting of water to higher values crops. This will be true only if the cost of water is a major cost e.g. compare the disparity between rice and cotton. May be change will come from putting cost on inefficient use of water.</p>

<p>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>	<p>Agreed</p>
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<p>Equity</p>	<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>We agree with the total catchment management approach. But the current models and frameworks are unable to do so.</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>-</p>
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Implementation and Compliance	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.	We believe that there a number of unsorted issues such as what should be the environmental flows, environmental issues in the irrigation areas and tools which can address the basin/catchment wide issues. We believe that MDBC is not a position to finalise the implementation phase.
	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.	We agree that there no proper tools which integrate the farm level water use efficiencies/CAP impacts to the catchment scale. The existing frameworks such IQQM/REALM are too crude/coarse to address the CAP issues at a range of scales. We need to do a critical review of the status and capability of these tools and investigate where we need to put the research efforts for the effective implementation of CAP. CSIRO Land and Water, Griffith is making strategic investment in developing tools which can be used to address environmental and economic issues from a farm, irrigation district to the catchment level both for the surface and groundwaters. Approaches like IQQM fail to investigate environmental issues in the irrigation areas at the proper level of detail. We propose a MDBC workshop to evaluate the existing CAP implementation computer models and how to capture the climatic variability in allocations;
	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.	This highlights the lack of proper tools to understand and implement implications of CAP.

	Cap Project Board Position	Comment
Schedule F to the Murray-Darling Basin Agreement	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.	See comments below
	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"> Removal of references to end-of-valley flows as a method for Cap compliance. 	–
	<ul style="list-style-type: none"> 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>”. 	–
	<ul style="list-style-type: none"> re-setting the commencement date for accounting for diversions under the Cap to start with the 2000/01 water year. 	We need to review the accuracy of the computer models and measurement methods along rivers before starting accounting diversions and end of valley flows. The major unknown in this regard is reticulation losses along the streams.

	Cap Project Board Position	Comment
Sustainable Rivers Audit	<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.</p> <p>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>	Agreed

	Cap Project Board Position	Comment
Any Other Issues	<p>Are there any other issues raised in the draft report that you wish to comment upon?</p>	<p>We propose an educational and consultation approach in the implementation of CAP at different levels.</p>