

Independent Assessment of Social and Economic Conditions in the Basin – comments to support

GSCC submission – prepared by Rob Rendell for Greater Shepparton City Council

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The Greater Shepparton City Council (GSCC) makes the following comments as part of the Southern Connected Basin and makes no direct comments about the Northern Basin.

1 Overview

In the foreword to the independent socio-economic assessment the chair Robbie Sefton commented that

“we found many communities struggling, including some in dire circumstances”

“we heard from people caught in a one-way conversation-over-consulted and under listened to”

“through our assessment, the Panel has seen first-hand the uneven impact of this lack of shared vision”

“we see it as vital that governments adjust their approach. They need to give more attention to the uneven and indirect impact of their actions or inaction, provide greater policy clarity and inclusiveness, and improve information for decision making.”

Greater Shepparton City Council (GSCC) fully endorses the Chair’s comments.

GSCC notes that it acts as a major centre for the Goulburn Murray Irrigation District (GMID) region. GSCC has consistently maintained that the GMID region has been one of the two regions (Murray Irrigation District (MID) being the other) that have been unevenly impacted in a very negative way as described by the chair.

Thus it was with some hope that GSCC noted that Recommendation 1 (“ensure more people share in the benefits of Basin water reforms”) and Recommendation 4 (“recognise that the benefits of the full suite of water reforms have been uneven, and ensure future dividends are shared more evenly”) gave the impression that there is recognition of this uneven impact.

Whilst the report offers some useful recommendations to mitigate the uneven distribution of impacts, GSCC however is disappointed that the report then failed to reflect those key messages in any meaningful way. In particular the support for the 450GL Upwater (albeit in a slower manner) and the lack of recognition of the overall GMID impact is disappointing.

2 Draft Findings

The following comments identify some key comments on the draft findings as they affect the GMID and GSCC in particular. These comments underpin the view of GSCC - that the report failed to address the uneven impact on the GMID in a meaningful way.

2.1 DROUGHT AND AVAILABLE WATER – UNDERPLAYS BASIN PLAN IMPACT

The report findings placed emphasis on the impact of droughts and the reduction in available water without similarly including the impact of water recovery on the available water. The report found (finding 10 and 11) that:

“drought is the main factor contributing to higher water allocation prices over the last 18 months”

“low rainfall in low water allocations to entitlement holders. So less water is available for production, which leads to reduced commodity outputwhile water use fell by 57% during the 2005-06 and 2007-08, GVIAP fell by only 13%. In part, this outcome happened because water could shift to higher value uses in these years. Sustaining the value of production in this way can significantly reduce negative social and economic consequences of lower water availability due to drought.”

In doing so, it failed to document that this water shift during the drought came primarily at the expense of two regions - GMID and the MID and the rice industry generally.

It also failed to then acknowledge that the impact of reduced available water (25% of allocated water) due to water recovery in the basin plan happens every year and is on top of the drought effect.

Therefore it also failed to acknowledge that the loss of water due to water recovery is a major contributor to a reduced level of production in the GMID and the increased price of water every year.

The report fails to spell out clearly that the reduction in available water used (compared to pre-basin conditions) in the five general regions within the southern basin has been unevenly distributed as follows

- SA Riverland is using the same amount of water for irrigation production - unchanged
- VIC/NSW Sunraysia has doubled its water use – increased substantially
- Murrumbidgee has declined its water use but production has been offset by the fortuitous advent of new cotton varieties enabling conversion from rice to cotton – relatively overall neutral outcome
- NSW Murray has halved its water use decimating the rice industry
- GMID has halved its water use and this has particularly affected the dairy industry

GSCC believes that the report has been remiss in not clearly identifying this uneven impact of available water and talks in generalities rather than specifically acknowledging the above regional changes in water use.

2.2 450GL UPWATER SUPPORTED – USES FLAWED SCENARIO

In looking to the future in chapter 4 the report undertakes modeling to determine the future and considers three aspects i.e.

1. Existing almond plantings mature and require more water.
2. Full implementation of the 450GL water recovery via on-farm infrastructure upgrades by 2024 (known as Upwater).
3. Drier climate resulting in 11% lower water supply.

In considering almonds and Upwater together as the “future market” scenario, ABARE’s simulations assumed that;

Water use in the dairy sector and rice sectors is modelled to decrease on average by 14% and 15% respectively.....In dry years, more significant decreases are predicted for these sectors in order to meet horticultural demand.”

And it is concluded in draft finding 43 that this;

‘will result in small overall decline in the total gross value of irrigated agricultural production(GVIA) across the southern basinHowever, these factors will increase adjustment pressures on some sectors and regions.”

This analysis is considered flawed because it combines the benefits of water trade to increased almond production in order to offset the downside of 450GL. If the 450GL was modelled in isolation to the almond expansion (they are unrelated events) the conclusion above would be very different. It would then be very clear that the rice industry and the dairy industry would decline with the 450GL with no upside and therefore the overall GVIA would show a significant decline.

The GSCC believes that this flawed thinking will be used to encourage the implementation of the 450GL Upwater despite it failing the overall negative socio-economic impact test when considered in isolation.

2.3 OFF- FARM INFRASTRUCTURE IE NVIRP/CONNECTIONS

Draft finding 29 in relation to off farm infrastructure states

There is little evidence to suggest water recovery through off-farm infrastructure investment has helped Basin communities adapt.”

GSCC believes that the substantial investment in infrastructure renewal in the GMID has produced substantial benefits;

- by reducing system losses from 834GL pre millennium drought to around 250GL today creating water for the environment,
- enhanced the distribution for the GMID enabling increased productivity,

- at a cost which given today's value of water entitlements (around \$4-6,000 per ML) makes the project very economic relative to alternatives.

GSCC thus disagrees with the draft finding 29 on off-farm infrastructure and suggests that NVIRP/Connections did have positive outcomes for all of the basin.

2.4 ON FARM INFRASTRUCTURE

In commenting on on-farm infrastructure the report on page 51 suggests that;

“On-farm infrastructure programs have improved the productivity and viability of most participants but left non-participants at a comparative disadvantage”

GSCC understands that, whilst some individuals were initially advantaged by participating in the on-farm infrastructure program, it was mainly those that immediately replaced the water by buying on the open market that were the winners. For the others who did not replace the water foregone as part of the program have since found that the price paid was not a premium (as alleged in sect 3.5) because the value of entitlements returned has now exceeded the price paid. The participating farmers have also found that replacing an appreciating asset (i.e. entitlements) with a “depreciating asset” of irrigation infrastructure was not the advantage first thought. Therefore within the GMID many of the dairy farmers who participated in farm efficiency have lost most of the initial advantage and are struggling with high water prices to replace the water foregone.

In draft finding 28 it says with regard to on farm infrastructure;

“As a result, there is now less water for irrigation,with consequences for local economies”

GSCC agrees with these comments but suggests that the report failed to identify the GMID as one of the major regions with negative consequences from less available water resulting from on-farm infrastructure that occurred within the GMID. The GMID also suffered from loss of available water from the flow on effect from those participants outside the GMID.

GSCC suggests this finding supports the Victorian stance that further on farm infrastructure associated with the 450GL Upwater will have direct negative consequences for the GMID. The report fails to acknowledge this.

2.5 BUYBACK

In considering buyback the Draft finding 30 states;

“Buybacks helped participants in buyback programs and contributed to productivity and efficiency improvements. But they also led to increased reliance by some farmers on the allocation market. In drought conditions, these farmers face higher costs to meet their water requirements.”

GSCC disputes the premise of this finding that buyback programs increased productivity and efficiency. GSCC contends that buyback removes water from the consumptive pool and this can only reduce overall production. Further if farmers who participated in buyback then rely on the allocation market there is a “knock-on” effect that ensures someone else has to stop production in order to provide the replacement water on the allocation market. The impact is much more than just some farmers in drought conditions facing higher costs. Buyback means less overall water and thus less production. The GMID is now only using half the water that it previously

did because of direct buyback and the “knock-on” effects of buyback. This finding 30 does not pass the community test (the pub test).

GSCC disputes finding 30 regarding buybacks.

2.6 HORTICULTURAL EXPANSION

The report in draft finding 35 considers the movement of water to permanent plantings;

“...increasing economic risk in times of commodity downturns and drought”

Despite this finding the report still assumes in its modelling of future scenarios assumes in sect 4.2.3 (in developing findings 41, 42 and 43) that;

“In all scenarios, water supply..... is sufficient to meet demand from horticultural plantings... even under a repeat of millennium drought water supply conditions.” Page 70.

This assumption contradicts the earlier finding 35.

GSCC understands that the current season allocations whilst being relatively very low in the southern catchment, are not as low as the allocations during the millennium drought. Even so the shortage of water this season has meant that the water prices rose sufficiently to reduce horticulture water demand. Therefore it can only be concluded that in a repeat of the millennium drought, allocations would see insufficient water (at an economic value) to support the current level of horticulture. This suggests that horticulture has reached (or even exceeded) its maximum development supporting finding 35, not the modelled scenarios that were used to assess the impact of 450GL Upwater.

GSCC believes that the report has underestimated the negative impact on the horticulture industry if the 450GL Upwater proceeds.

The report does not at any stage acknowledge the “equilibrium” relationship that occurs between the very secure water (ie available in a drought) that is sufficient for horticulture, the mostly secure water that the dairy industry and the cotton industry utilise and the variable water that the annual cropping (rice winter cereals) utilise.

Therefore the report does not recognise the importance of each industry surviving and the inter dependence of each other. Thus it underestimates the impact of further water recovery by underestimating the negative impact on the horticulture industries and the importance of maintaining a balance of industries that match the variability of available water from season to season.

GSCC suggests that the report fails to recognise the importance of the dairy industry and the rice industry in maintaining a sustainable balance in the basin.

2.7 IVT, CONSTRAINTS AND ENVIRONMENTAL DAMAGE

The report makes passing reference (draft finding 18) to environmental impacts from Inter Valley Transfers (IVT) on the Goulburn River and the Barmah-Millewa forest (Barmah Choke). GSCC suggests that this should be a higher consideration when considering the economic benefits of downstream trade for almonds etc. However Recommendation 6 considers this further but implies that relaxing constraints to enhance

downstream expansion is a good thing. GSCC do not support this underlying concept re: relaxing delivery constraints.

3 Recommendations

3.1 RECOMMENDATION 1 – COMMUNICATION WILL FIX THINGS!

This recommendation proposes greater clarity and certainty, greater accountability and improved delivery to build trust and ensure more people share in the benefits.

However, the specific commitments and initiatives proposed are predominantly about better communication and information but does not address or acknowledge the fundamental unevenness of the basin impact to date.

This recommendation, whilst having many sound suggestions, fails to address the fundamental unevenness – rather just proposed to communicate the basin plan and continue without change.

3.2 RECOMMENDATION 2 – DON'T CHANGE DIRECTION JUST SLOW DOWN DOING THE 450GL AND RELAX CONSTRAINTS

As discussed previously in relation to finding 43, the imposition of the 450GL Upwater has been inadequately analysed in GSCC's view.

The preamble to this recommendation suggests;

“Slowing recovery will allow time for the Australian Government to work with Basin communities to show better evidence of the enhanced environmental, working river, and social wellbeing benefits of past and future water recovery.” Page 3.

This suggestion implies that the community's view about negative impacts just needs more evidence to be disproved. GSCC disputes the comment that given time the Government can prove that the GMID and MID uneven impacts are justified.

The report introduces a recommendation on relaxing delivery constraints without any supporting findings in the report.

GSCC has found that delivery constraints, particularly associated with the Barmah Choke and the Goulburn River environmental impacts need greater consideration NOT less as implied in this recommendation.

3.3 RECOMMENDATION 3 - THE ECONOMIC DEVELOPMENT PROGRAM IF EXPANDED AND EXTENDED WILL FIX THINGS.

This recommendation is supported although the underlying premise that a relatively modest funding package (\$140M) will remedy the uneven impact of previous water recovery and the inevitable uneven impact of the proposed 450GL Upwater program will suffice is challenged.

GSCC maintain that the uneven impacts of past water recovery and the proposed 450GL Upwater is far greater than acknowledged and therefore requires a far greater offset than proposed.

3.4 RECOMMENDATION 4 -IDENTIFIES AND TARGETS SPECIFIC COMMUNITIES OF THE UNEVEN IMPACTS

This recommendation is a welcome recognition of the disparate impact on the GMID and if funded sufficiently would be an improvement on the current situation. However GSCC are concerned that the report underestimates the significance of the impacts both past and future.

3.5 RECOMMENDATION 5 – 450GL UPWATER IS PROCEEDING COME WHAT MAY

This recommendation is written in a way that implies a threat;

i.e. if you don't come up with an alternative offset for negative impacts for the 450 then you will suffer an *"otherwise protracted and even more painful and unmanaged transition for regions"*

GSCC believes this recommendation is particularly objectionable given the concept of recommendation 1 and given the desire to remedy the lack of trust. This implies the Government should push ahead regardless.

3.6 RECOMMENDATION 6 – DELIVERABILITY CONSTRAINTS

This recommendation proposes that deliverability constraints should continue being addressed, a proposal that the GSCC supports.

However the GSCC does not support the underlying premise that there needs to be a relaxation of deliverability constraints to effectively permit further transfer of water below the choke and the utilisation of the Goulburn for increased IVT trade.

GSCC propose that deliverability properly investigated would identify the additional cost of water trade to downstream Sunraysia area negating many of the perceived economic benefits from such trade.

3.7 RECOMMENDATION 7 –CITY AND TOWN WATER SUPPLY NEEDS IMPROVING

GSCC supports the general thrust of this recommendation although it acknowledges that town water security is not a problem generally in its region.

3.8 RECOMMENDATION 8 –ALTERNATIVE URBAN SUPPLY SOURCES REQUIRED

GSCC supports this recommendation although it acknowledges that for the GSCC it is of a lower importance.

3.9 RECOMMENDATION 9 – FIRST NATIONS WATER

GSCC support the need for greater access to water for cultural and economic purposes for First Nations.

3.10 RECOMMENDATION 10 – FIRST NATIONS KNOWLEDGE

GSCC supports the need to expand and utilise First Nations' knowledge

3.11 RECOMMENDATION 11 – FIRST NATIONS PARTICIPATION IN WATER POLICY AND PLANNING

GSCC supports the involvement of First Nations in water policy and planning

3.12 RECOMMENDATION 12 –MONITORING COMMUNITY WELLBEING

GSCC acknowledges that reporting community wellbeing on a regular basis is worthy of consideration.

GSCC is concerned that the community wellbeing has been ignored to date as outlined in the foreword by the Committee Chair where she acknowledged that;

“We heard from people caught in a one-way conversation-over-consulted and under listened to.”

Therefore GSCC is concerned that monitoring of the wellbeing is just another process that will not lead to any real action to remedy the uneven impacts of the basin plan.

3.13 RECOMMENDATION 13 – FIRST NATIONS MONITORING OF SOCIAL AND ECONOMIC WELLBEING

GSCC support any additional actions to remedy the disadvantage of the First Nations community.

GSCC believes that there is more than adequate evidence already and that action should be undertaken not just more monitoring.

3.14 RECOMMENDATION 14 – ENVIRONMENTAL MONITORING AND EVALUATION

GSCC supports this recommendation.

3.15 RECOMMENDATION 15 – RESEARCH AND INNOVATION TO TRANSITION TO FLEXIBLE FARMING SYSTEMS

GSCC supports any assistance to enhance the skills of the farm business.

GSCC are concerned that this recommendation implies that there are flexible farming systems that are not industry focused. This premise is absurd in that it suggests that a farm can diversify across industries and that this magically will overcome the lack of water. This approach defies current business basics.

3.16 RECOMMENDATION 16 – IMPROVING ESSENTIAL INFRASTRUCTURE

GSCC supports this recommendation however it is a very important but auxiliary requirement to overcoming the underlying uneven impacts of the basin plan associated with water recovery.

3.17 RECOMMENDATION 17 – A BASIN DIGITAL CONNECTIVITY FUND

GSCC supports this recommendation however it is a very important but auxiliary requirement to overcoming the underlying uneven impacts of the basin plan associated with water recovery.

3.18 RECOMMENDATION 18 – COMMUNITY SERVICE OBLIGATIONS MAY BE HELPFUL

This recommendation tries to address the long term financial sustainability of IIOs by suggesting that community service obligations being clarified would solve the problem.

GSCC does not disagree that clarity around community service obligations may be useful. However GSCC is concerned that this is already something that the ESC in Victoria requires and that this recommendation does not address any of the major concerns in the Basin plan and its uneven impacts.

3.19 RECOMMENDATION 19 – ADDRESSING MENTAL HEALTH AND FINANCIAL HARDSHIP

GSCC supports the recommendation of addressing household distress, mental health issues, and financial hardship.

GSCC however suggests that as well as directly addressing these issues, it is critical to address the underlying causes of these issues.

GSCC suggests that many (not all) of these issues have been severely accelerated by the unevenness of the basin plan. Without addressing the underlying problem these services can be viewed as a band aid.

3.20 RECOMMENDATION 20 – COMMUNITY ACTION PLANS

GSCC supports the concept of developing community action plans and has demonstrated its support by actively engaging in the GMID resilience project currently underway.

GSCC however, whilst supporting the need for these plans, recognises that the GMID community is still hurting by the uneven impacts of the basin plan.

GSCC would be more favourable to this recommendation if the GMID uneven impacts of water recovery and the likely further impact from 450GL Upwater was redressed.