

Response to the draft Independent Assessment of Social and Economic Conditions in the Basin (IASECB)

## **Sunraysia Branch Victorian Farmers Federation**

### ***BACKGROUND AND INTRODUCTION.***

The branch has had a long history of engagement with MDB water issues, with a particular focus on the interests of Sunraysia's pumped district irrigators. It has contributed many submissions to various inquiries, including with respect to water reform (unbundling, water market reform etc.) and to the MDBP. Recent submissions include those to the Seftons' MDBWIP consultation, the South Australian Royal Commission into the MDB, and the ACCC inquiry into water markets.

The branch attended the Mildura session of the IASECB, discussing key issues with Mr. Kassebaum and Mr. Woods, and met with Mr. Kelty in Mildura to discuss the imperatives resulting in the inquiry into the MDA.

The branch maintains an ongoing engagement with government and industry groups with respect to water, with members represented on the VFF Water Council and LMW CSACs.

***The politics of water recovery, the politicisation of the discussion itself***  
The branch is well placed to give feedback regarding the committee's draft report, having given particular attention to the genesis and progress of the MDBP, together with the politics and media treatment of the ongoing farm lobby reaction against the MDBP and its associated water recovery. That reaction has in turn dictated the politics of environmental water recovery, and has irreversibly politicised how water is discussed. The heat and confusion engendered by the politicisation of water for reasons of economic self interest has been the major factor in the commissioning by government of the Sefton's IASECB inquiry.

***BACKGROUND--WHY IS THIS INQUIRY TAKING PLACE? WHY IS IT NECESSARY?***

The inquiry was initiated in response to intense political pressure related to two decades of challenging times in the basin, entailing both economic challenges and changes to the water regime, overlaid by consecutive years of low inflows and resultant low allocations and high water prices in the 2018/19 and 2019/20 water years.

***High water prices, high prices, confusion as to causation***

With respect to the low inflows, there has been general confusion regarding causation, with a popular belief, encouraged by some politicians and the media, that the water scarcity was due to government policy and market manipulation by water barons rather than the actual substantive cause, low inflows.

Government has been beset and alarmed by the popular reaction to this perception, and has responded by commissioning various reports, as noted in the IASECB appendix, with a view to pacifying both militant irrigator groups and the general population.

***Fear and loathing, actual drivers v perceived drivers***

The government response begs the question, why are irrigators, politicians, the media, groups, and the population generally, so confused about water? Why are they suspicious of anything said about water, and ignorant of the actual drivers of cause and effect with respect to water prices? More broadly, why are they ignorant of the actual drivers of social and economic conditions (Wittwer) in the basin as opposed to the perceived drivers?

***The farm lobby/politicians-exploiting complexity***

Confusion regarding water has in fact been encouraged and exploited by the farm lobby/politicians as a response to the MDBP. Water regimes, or the rules regarding the abstraction and exploitation of water, are inherently complicated. That complication has been successfully exploited by the farm lobby and government to create confusion in order to forestall water recovery under the agreed MDBP, and to limit the scope of water recovery to well under the agreed 3200GL defined by the Water Act as the minimum necessary for environmental and socio-economic sustainability.

***CONFLATION- rural decline egregiously equated with reform/MDBP  
The Dominant Narrative: Never challenged***

The principle element in this endeavour has been the egregious conflation of rural decline with MDBP water recovery. With media and government support (eg. RMCG and TCA reports) a dominant narrative has been constructed stating that MDBP water recovery is the dominant driver of socio economic decline and rural distress in the MDB. The evidence, including that presented in the IASECB draft report, clearly shows that this is in fact not the case. Despite this, the dominant narrative has never been effectively challenged by any effective political force and still dictates debate and outcomes in the MDB.

***Draft report falls short***

The IASECB had the potential to effectively illuminate and challenge that dominant narrative and help restore clarity to the confused and exploitive water discussion. However the draft report does not indicate that that potential has been pursued, leaving open the way for the confusion to continue and for the government to make unhelpful populist decisions in response, putting the possibility of long term sustainability at risk.

***IASECB/SEFTONS' -ISSUES AND SHORTCOMINGS***

***Terms of reference ignored***

1)-The most obvious shortcoming of the draft report is the egregious failure of the panel to stick to its terms of reference. The terms of reference collectively, and "C" in particular, instruct the panel to separate the effects of water reform, including the MDBP, from the other primary pre-existing and ongoing drivers of socio-economic outcomes in the basin. This instruction to discover what is actually happening, as opposed to what is perceived to be happening, has effectively been ignored. The panel has instead focused on general perceptions of cause and effect. It has disregarded the expert evidence presented to it, selectively disregarded the wealth of credible studies available, and has embraced and reinforced the misguided, populist perceptions of cause and effect which led to the panel being progressed in the first place.

***"Water reform"-an expanded definition increasing confusion***

2)-Things haven't been helped by the puzzling decision to broaden the definition of "water reform" beyond its hitherto accepted meaning into something much broader and amorphous. The term water reform has

always been used in respect of the rules of the abstraction, exploitation and property aspects of water, including water regimes, unbundling, enhanced water markets and compliance. Lumping in something completely different, and vast in scope, i.e. environmental water recovery, is unhelpful, and pretty much guarantees that the clarity the panel was formed to pursue will not be found.

***How things really were as compared to how they are painted***

3)-The report presents an unrealistic picture of the socio-economic conditions in the basin prior to water reform. This misrepresentation ignores the reality and reinforces popular feeling against water reform and the MDBP.

If it can be taken that “water reform” began in the 90's and approached its apogee in the 2000s and the 2010s, then the committee has an unrealistic view of life in the basin pre water reform.

In the forward, the pre-reform basin is presented as some sort of economic and social Arcadia (see quotes\* next page), with economic and social security and certainty for all its peoples. Any older person who has lived it will tell you that in fact for most irrigators and communities life was tough, and the research backs that view. Marginal or negative terms of trade were the norm in most industries. Extremely hard work was rewarded with uncertain and meagre returns, and perpetually low property values were the norm. All the socio-economic indicators, including income, life expectancy, education and so on were well below urban standards.

The clear intention in the forward is to paint a picture reflecting popular perception, rather than one supported by evidence, that things were just dandy for everyone in the basin prior to the MDBP which came along and ruined everything.

To paint the present circumstances (low inflows and climate change aside) of irrigators and communities as being substantially worse than prior to the 90's is perverse, as any panel member can inform themselves by reference to the evidence, including its own Wittner report.

4)- The report fails to give an overview of the benefits to irrigators and to regional economies of reforms.

***Irrigators never had it so good***

In fact water reform in the narrower sense has been (together with economic reform) a god send for basin irrigators, delivering them immense wealth to the tune of \$25Billion of entitlement (Aither), and giving the

average (beyond middle age) farmer many options, including constructing their own water portfolios, and the possibility of retiring on halfway acceptable terms.

***Water reform the dominant economic driver in basin socio-economic outcomes***

The report fails to address the issue or give the figures, but enhanced water trading has been an incredible economic driver in the basin. Gross output has multiplied, and the panel should by rights have commissioned research clarifying the economic outcomes attributable to enhanced water trading. It would be valuable to know what the current levels of income, output and wealth would be today, together with their concomitant socio economic indicators, had reform not been implemented, leaving water committed to sub-optimal economic exploitation.

**\*Examples** 1. “The future is no longer secure or certain for some people and regions, despite their hard work.” Forward page v.

“Whole communities have been built on generations of hard work, to create a prosperous and vibrant life....” page v

“Significant transfers of wealth and opportunity across industries and regions have taken place-some communities have watched jobs dwindle away, communities decline, and in some case nearly disappear. Viii

***A Plan delayed is a plan abandoned, the MDBP in jeopardy***

5)- Various recommendations, taken individually and together, leave the way open for government to stall MDBP water recovery at well below the agreed 3200GL level and leave the basin without the water necessary for socio-economic sustainability.

**Recommendation 2** says further water recovery should be delayed to match deliverability constraints, and this assertion is further reinforced by **recommendation 6**. No credible evidence supporting the assertion that water recovery should be delayed is presented .

**Recommendation 5** references “established socio-economic neutrality criteria” with respect to efficiency projects..

Anyone across the politics of the basin plan knows that a primary tactic of the farm lobby and the states of Victoria and NSW in preventing the agreed Plan's 3200GL water recovery is to politicise and stall the constraints removal which is itself a vital part of the agreed plan.

Likewise, as part of its campaign to curtail or abandon its commitment to Upwater recovery, Victoria, using as an instrument the Sefton's MDBWIP consultation, got MINCO to allow it to institute its own socio-economic test regime for efficiency projects.

Taken together, the states can use the expanded socio-economic test, and supposed concern regarding constraints to retard and ultimately prevent further water recovery. It is disappointing that the panel has seen fit to green light and rubber stamp the water recovery stalling tactics of the states. If the government does follow these recommendations the likely hood is that the agreed water recovery will never happen. That outcome is the one definitely being sought by Victoria and NSW, and time will tell if the commonwealth government had it in mind when commissioning the inquiry.

**Recommendation 14** recommends tracking environmental outcomes from water reform (presumably in the sense of water recovery). That sounds good on the face of it, but it leaves open the possibility that evaluation could be used to reinforce prejudices against the possibility of net benefits from e-watering. Who will be doing the evaluation, using what methods, and with what intent?

***E-water, still not valued***

Before it commenced its work the panel committed to assigning economic value to water recovery under the MDBP in order to supplement the many, often politically motivated, socio-economic studies which focus on the supposed socio-economic costs of water recovery but fail to offset the costs with credible assessments of the long term economic benefits of water recovery.

This work was never done by government or the MDBA and remains a core weakness of the agreed Plan, leaving it open to ongoing attack and diminution. In simple terms, a declining MDB has a diminishing socio-economic arc which can be assessed in dollar terms with economic modelling. Like wise a sustainable MDB has a sustained or increasing socio-economic arc which can likewise be assigned a dollar value.

It is disappointing that the panel did not commission its own study in this regard and has failed to recommend that the Commonwealth bite the bullet and progresses its own comprehensive study.

**6)-Draft finding 44.** This finding, following on from the Victorian University study commissioned by the panel, puts the skids under on farm efficiency projects. It suggests net negative outcomes flow from on farm

projects, leaving them vulnerable to ongoing attack from the states. The panel fails to mention that these programs are vital to the achieving the agreed 3200GL MDBP water recovery target. It is telling that this study is being used in this way when the panel admits that the economic benefits of the water recovered have not been factored into the assessment. It is reasonable to question why the panel commissioned this study, if not with the intent to political pressure to reduce water recovery.

***IN SUMMARY***

The draft report in general terms down plays available evidence and accommodates popular perceptions regarding cause and effect with respect to socio-economic conditions in the basin, and as to the benefits of environmental water recovery.

The tone is cool with respect to the benefits of e-watering, and the commissioned study of the recreational fishing industry is perhaps an indication of where the panel lies. That study purported to find that the economic benefits to the industry of recovered water were marginal.

The report in it's present form leaves it open to government to accommodate the states and the farm lobby, drag out water recovery and effectively put the MDBP on the back burner with little chance of the agreed 3200GL water recovery target being achieved.

Contact

