

3 April 2020

Ms Robbie Sefton

Chair Independent Panel for the Assessment of Social and Economic Conditions in the Murray-Darling Basin

[https://www.basin-socio-economic.com.au/draft-report-submission/survey\\_tools/socio-economic-assessment-panel-draft-report-submission](https://www.basin-socio-economic.com.au/draft-report-submission/survey_tools/socio-economic-assessment-panel-draft-report-submission)

Dear Ms Sefton

## **CICL submission on the Draft Panel report: Independent assessment of social and economic conditions in the Basin**

Coleambally Irrigation Co-operative Limited (CICL) welcomes the opportunity to make a submission regarding the Panel's draft report. This submission, rather than cover all aspects of the extensive report, focuses on areas which CICL considers are important gaps in the report or where CICL does not agree with the findings and/or recommendations made by the Panel.

CICL is a member of both National Irrigators' Council and NSW Irrigators' Council and is aware both these organisations are making detailed submissions to the Panel.

### **Overarching comment**

The fundamental challenge facing irrigation dependent communities is the step change in the volume available for irrigated agriculture that is not matched by a contraction in the irrigation footprint. If anything, the irrigation footprint continues to grow along with the capacity of existing irrigation development to use larger volumes of water. This expansion is being facilitated by the water market. Continuing to reduce the consumptive pool of water will exacerbate this problem and, along with the impacts of drought, is impacting on irrigation dependent communities.

CICL believes the Panel's draft report includes numerous findings that reflect the diversity of social and economic circumstances across the Basin. The Panel highlights the erosion of trust between community and governments - commonwealth and state. However, CICL believes the Panel's report is a missed opportunity to recommend that there should be no further water recovered from the consumptive pool and that the focus of governments should be delivering improved environmental outcomes in a transparent manner with the significant volume already available. In addition, governments and communities need to explore more innovative ways, specifically measures that don't involve "just adding" water, to achieve improved environmental outcomes.

CICL would welcome the recommendations in the final report reflecting this view.

Detailed below are CICL's specific comments on the draft report.

### **Sustainable Diversion Limit Adjustment Mechanism**

CICL is acutely concerned the draft report does not directly refer to the importance of the success of the Sustainable Diversion Limit Adjustment Mechanism (SDLAM). In fact, CICL cannot find a reference to the SDLAM or associated projects in the draft report.

The SDLAM allows for the volume being recovered from the consumptive pool to be 605GL less. **The SDLAM is the single largest opportunity to mitigate the negative social and economic impact of the Basin Plan on communities and there is no mention of it in your report.**

In the Murrumbidgee the volume attributed to the SDLAM is 162GL. If the SDLAM delivers on this volume there is essentially no need for further water recovery from the Murrumbidgee catchment, except for the minimum volume of “up-water” required because of the SDLAM. (This is 62GL across the Basin).

There is strong evidence that progress with several SDLAM projects is well behind schedule and that several projects face significant challenges in NSW and are not supported by some stakeholders. Furthermore, the current changed operating environment because of COVID-19 restrictions means these projects, which require increased and improved stakeholder engagement, will be severely hampered in their capacity to progress at this crucial time.

CICL recommends your final report makes the following specific statements in relation to the SDLAM:

- A key finding is that the SDLAM is critical to minimising further negative social and economic impacts of the Basin Plan and governments must work with communities to identify opportunities to deliver on its intent.
- A key finding is the current implementation of several of the SDLAM projects are significantly challenged by failure of the state governments and the Basin Officials Committee to adequately engage in project development and delivery with key stakeholders. This ongoing failing has eroded trust and is contributing to the increased risk that key projects will fail.
- A recommendation that progressing the SDLAM projects must be centred around robust community consultation and engagement.
- A recommendation that the Ministerial Council supports extending the time-frame and increases the flexibility by adding new projects to the SDLAM.
- A recommendation that the Commonwealth Government has a bipartisan approach to supporting extending the timeframes and increasing flexibility to add new projects to the SDLAM.

### **Draft Recommendation 2 Slowing water recovery and relaxation of delivery constraints**

*The Australian Government should time further water recovery to match the capacity to deliver water to where needed to achieve enhanced environmental, social and working river outcomes. This approach means slowing further recovery in the Basin, and accelerating efforts to relax delivery constraints.*

CICL is concerned that the draft report confounds the issues associated with delivery of water orders downstream of the Chokes with relaxation of constraints to allow delivery of enhanced environmental outcomes. Whilst this may not be the Panel’s intention, CICL believes the current drafting of Recommendation 2 potentially confounds constraints relaxation and deliverability of water orders below the Chokes in the River Murray.

It is essential the Panel’s report is not ambiguous about the relationship between constraints relaxation and tools to address deliverability. The intention of constraints relaxation, under the Basin Plan, was to achieve improved environmental outcomes. It was not, and never should be, linked to increasing the capacity to delivery consumptive water orders.

CICL considers the issues associated with the deliverability of water orders below the Chokes in the River Murray **must be clearly separated from constraints relaxation** which under the Basin Plan is linked to Schedule 5 outcomes and recovery of the “efficiency water.”

CICL believes the Panel’s recommendation should go further and require that no further water is recovered under the “efficiency measures” until the recommendations in the Productivity Commission Five-year review of the Basin Plan completed in 2018 are fully implemented. The [Productivity Commission](#) report includes significant findings and detailed recommendations in relation to the “efficiency” measures.

In relation to constraints relaxation, the Panel’s report is at odds with the recommendations of the Independent Report by the NSW and Victorian Minister’s Independent Expert Panel which considered Murray-Darling Basin constraints modelling and recommended an adaptive management approach to progressively relax river operating constraints<sup>1</sup>.

### **Draft Recommendation 3**

*The Australian Government should extend the Murray–Darling Basin Economic Development Program beyond its 2023 completion date and increase its scale. Past and future impacts of Basin water reforms will still be passing through Basin regions and towns after 2023.*

*The program should be extended to 2030, then reviewed. Project delivery timeframes should be extended beyond the current four year timeframe to 2030. This extension will empower communities to make longer term investments in their future.*

CICL acknowledges that dealing with the farm business and community structural issues facing some irrigation communities is extremely challenging for both communities and governments. The drought is compounding these issues.

CICL is concerned this draft recommendation, proposing a seven-year extension, is not appropriate because we consider the former programs have been both inadequate and ineffective.

It is CICL’s view that all government support should be community specific and integrated across government programs and agencies with clear outcomes, measures of performance and accountability for funding. Current models in CICL’s view do not fit these criteria.

### **Draft Recommendation 4**

*The Australian Government should prioritise future investment in the Murray–Darling Basin Economic Development Program in vulnerable and disadvantaged communities most negatively impacted by Basin water reforms. The Panel’s assessment shows these communities include:*

- *Basin regions where more water has been recovered through open tender buybacks, and less through on-farm irrigation investments*

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<sup>1</sup> Report to the NSW and Victorian Minister’s Independent Expert Panel , December 2019  
[https://www.water.vic.gov.au/\\_data/assets/pdf\\_file/0024/445119/IEP\\_ReviewOfConstraintsModelling.pdf](https://www.water.vic.gov.au/_data/assets/pdf_file/0024/445119/IEP_ReviewOfConstraintsModelling.pdf)

- *dairy and annual cropping regions and towns in the southern Basin that have benefitted less from past water reforms and will decline with future water recovery*
- *smaller Basin communities that have poor socioeconomic conditions and rely heavily on irrigated agriculture, and/or where water recovery and other reforms proceeded quickly (such as through single 'strategic' purchases).*

It is CICAL's view that further work is required to bring together the Panel's recommendations for government support for communities impacted by the Basin Plan. If governments are going to inject funding into communities it needs to deliver sustainable, measurable outcomes for that community. In addition, communities need to be treated fairly but also take responsibility for driving their own adjustment.

CICAL notes this recommendation also refers to further water recovery. As previously stated it is CICAL's view that governments will continue to harm irrigation dependent communities with further water recovery. All the policy settings are driving irrigated agriculture towards permanent plantings and less annual production. This is lowering the resilience of our irrigation region's capacity to cope with climatic and agricultural market volatility. As previously stated CICAL believes your report provides sound evidence that governments should not be seeking to recover more water from the consumptive pool.

### **Draft Recommendation 5**

*Where an upwater recovery proposal fails to meet established neutrality criteria, this failure should trigger a formal process to consider and agree on whether and how third party impacts could be offset in a way that is acceptable to those negatively affected by the change. This process must be community led.*

*The Panel considers this process would likely stimulate a more diverse range of community led recovery proposals, which may alleviate an otherwise protracted and even more painful and unmanaged transition for regions.*

### **CICAL rejects this recommendation and believes it has no place in its current form in the Panel's final report.**

The neutrality test was an important decision of the Murray-Darling Basin Ministerial Council, intended to protect communities from the impact of further water recovery.

The Panel should not be seeking to erode this test. It should also not be seeking to turn the "up-water" into a pseudo retirement option.

CICAL has little confidence unless governments were to change their approach that any process put in place to mitigate third-party impacts would in fact be effective.

However, CICAL in principle is not opposed to community driven strategic retirement as a separate program. However, we believe there is unlikely to be enough community centred interest in this approach. Certainly, there is no evidence of a desire for this in the CICAL area of operation.

### **Draft Recommendation 6**

*Reflecting community concerns, Basin governments should continue addressing deliverability constraints as a priority. This work includes:*

*Commonwealth and state water ministers developing an aligned multi-state approach to development below the Choke, as a priority action.*

*Consistent with Victoria's approach, NSW and South Australia not establishing new or expanded water licences until a clear long term plan for managing deliverability below the Choke is agreed.*

*The Panel considers long term clarity and confidence around coordinated development above and below the Choke will better stimulate, support and promote healthy and sustainable rural and regional communities in the Basin, compared with the current approach.*

**This recommendation is not comprehensive enough and implies deliverability constraints can be removed.**

This recommendation only addresses new development below the Chokes. It is silent on what policy options should be put in place to manage existing congestion issues.

CICL is also concerned about the language in the recommendation. What does the Panel mean by addressing deliverability constraints? This implies these constraints are not of a sound basis and can be removed.

CICL does not support government seeking to remove constraints or to construct infrastructure to expedite the movement of water from the Murrumbidgee Valley to the Murray Valley.

CICL does not support relaxation of the existing NSW inter-valley transfer (IVT) rules to facilitate further trade out of the Murrumbidgee Valley, to meet Lower Murray and South Australian consumptive demands. It is CICL's view the current NSW IVT rules have a sound basis and allow trade whilst also protecting against the **real** third-party impacts of water trade.

In addition, CICL would like the concept of a freight rate on annual transfers and water movements via linked licences downstream being explored as a mechanism for ensuring water allocation trade is not contributing to increased river operational losses and third-party impacts.

What does the Panel mean by not establishing new or expanded water licences?

In NSW no new water entitlements are being created. It is possible to apply for a new Water Access Licence. However, this licence does not need to be linked to a Works Approval.

If the intention of the Panel is to call for a halt on new developments, this should be clearer? Does this also mean that a new development, where the owner holds water entitlements to meet the volumetric demand of the new development, would also be stopped? CICL does not support a recommendation that diminishes a water access licence holder's property right to use their water. However, it needs to be recognised that in the regulated river system, the property right has not been fully defined to include extraction rates.

In CICL's view what is missing from this recommendation is the need for a policy tool for managing congestion. This could be in terms of daily extraction limits and/or rationing. CICL acknowledges this will be hard and there will be issues between established demands and new developments. However, to provide the policy certainty both existing and new developments require this work to progress.

## Draft finding 29

*There is little evidence to suggest water recovery through off-farm infrastructure investment has helped Basin communities adapt. This issue — including potential implications for future IIO fees and charges — deserves more investigation, with the cooperation of IIOs.*

CICL believes this finding is incorrect for CICL and its members for the following reasons:

- CICL commenced its modernisation journey in the early 2000s and the current modernisation plans were completed in June 2017. Initially modernisation was funded by members and subsequently funded jointly with government through the range of programs to recover water for the environment. These investments were commercial decisions by CICL to exchange a share of CICL's conveyance water access licence for capital.

There are two key outcomes of CICL's modernisation investment which are contributing to our members' capacity to adapt to impact of the Basin Plan and other government water recovery programs that have reduced the consumptive pool.

Firstly, modernisation dramatically improved CICL's level of irrigation service, providing members with the ability to improve their on-farm water use efficiency allowing members to adapt their on-farm systems to increase the diversity of crops grown which builds their farm businesses' resilience.

Secondly the completion of modernisation has resulted in a step change in the efficiency of CICL's irrigation supply system. The water savings associated with our modernisation are now passed on to members through water distributions including a combination of water allocations and a market mechanism.

CICL argues that the combined effect of modernisation and water savings have made a material positive difference to the capacity of our members to respond to the impact of the Basin Plan and other environmental water recovery programs. In addition, for Coleambally township, with its irrigation dependent economy, these actions contribute to mitigating the impacts of the Basin Plan on the community because they have made both CICL and our farm businesses more resilient.

- CICL's current water charges consider the effect of our investment in modernisation. Under CICL's structure a levy is collected for future asset replacement. The principle behind this levy is that over time funds are collected to build reserves to ensure there are enough funds available to fund future replacement and refurbishment of the long-lived irrigation assets.

Each five years CICL engages independent consultants to carry out a Modern Engineering Equivalent Replacement Assessment (MEERA) of its irrigation assets. This evaluation includes an assessment of asset condition and forecasts an asset's remaining useful operational life. Independent actuaries are then engaged to provide further specific financial advice as to the monetary requirements to meet the refurbishment and/or replacement forecast in the MEERA. Details of these reports are available on our website [here](#)

CICL believes the Panel has drawn a wide-ranging conclusion without thorough consideration on the diversity in off-farm infrastructure investment in irrigation system modernisation that has occurred across the Basin and the differences in corporate structure of IIOs across the Basin.

**CICL requests the Panel corrects this error in its final report and is more specific to the IIOs where they have evidence their statement is correct.**

### **Draft Recommendation 18**

*Community Service Obligations may be helpful in some circumstances to clarify future service requirements and how costs are shared when off-farm infrastructure is provided to achieve water recovery*

CICL does not understand this conclusion and believes the recommendation needs to be more specific.

Is the Panel suggesting that the driver of some off-farm infrastructure investment has been community service obligations, therefore IIOs should be subsidised for this service?

Is the Panel suggesting that some IIOs provide a community service and therefore their costs should be subsidised?

In CICL's case we have a "commercial in-confidence" agreement with WaterNSW where we deliver water for WaterNSW using our infrastructure. CICL does agree that IIO infrastructure used by governments (inclusive of river operations) should not be subsidised by IIO customers and there needs to be transparency and accountability around the use of IIO infrastructure for purposes other than the IIO's customers.

To this extent the Water Charge Rules 2010 (Comm) require this transparency where a charge applies.

CICL recommends the draft recommendation is changed to make its intent clearer.

### **Draft finding 30**

*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.*

Farm business choices about capital investment and ownership of land, water and other capital are individual choices and farm businesses that are reliant on the annual allocation market for their water requirements must factor this cost into their business.

Anecdotally a proportion of the expansion in permanent plantings is reliant on the annual water allocation market, so it is not just farm businesses that participated in buyback that are exposed to the annual allocation market.

### **Draft finding 48**

*Expenditure on regional economic and community development programs (to improve the quality of community services) could lead to more jobs in regions than if governments spent the same amount on irrigation infrastructure alone. Such expenditures would do less to maintain the value of agriculture.*

CICL believes care needs to be taken with how governments drive investment in regional communities. CICL acknowledges that investment in industries such as aged care drives greater employment than agriculture.

However, in our smaller communities where irrigated agriculture is the basis of the economy investment in other services must be sustainable and not result in a legacy cost to the community.

We thank the Panel for their important work to date and look forward to the Final Report reflecting the issues raised by CICL in this submission. CICL would be pleased to discuss any of these issues further with the Panel. If you wish to discuss the issues raised in this submission, please contact me on M: 0409 678 037 or Jenny McLeod on M: 0429 819 348.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Clifford Ashby', with a long horizontal stroke extending to the right.

**Clifford Ashby**  
**Chief Executive Officer**