



**SUBMISSION ON THE MURRAY-DARLING BASIN AUTHORITY'S
ISSUES PAPER ENTITLED DEVELOPMENT OF SUSTAINABLE
DIVERSION LIMITS FOR THE MURRAY-DARLING BASIN**

DATE

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Introduction

The Local Government Association of NSW and Shires Association of NSW (the “Associations”) thank the Murray-Darling Basin Authority (MDBA) for the opportunity to make a submission on its issues paper entitled *Development of Sustainable Diversion Limits for the Murray-Darling Basin*.

The Associations are the peak bodies for NSW Local Government. Together, the Associations represent all the 152 NSW general-purpose councils, the special-purpose county councils and the regions of the NSW Aboriginal Land Council. The mission of the Associations is to be credible, professional organisations representing Local Government and facilitating the development of an effective community-based system of Local Government in NSW. In pursuit of this mission, the Associations represent the views of councils to the NSW Government and the Australian Government; provide industrial relations and specialist services to councils and promote Local Government to the community and the media.

The Associations believe that, when making decisions on sharing water between the environment and consumptive use, social, economic and environmental considerations should be placed on an equal footing.

The Associations recognise that the *Water Act (Cwth) 2007* establishes a process for the integrated management of the Murray-Darling Basin and the setting of sustainable water diversion limits by the MDBA. At this stage, the Associations will confine their comments to improvements that can be made within the established process.

The Associations continue to call for adequate consideration of socio-economic impacts of diversion limits on regional communities. Sustainable diversion limits are expected to result in substantial reductions in water availability for consumptive use. This is likely to have significant socio-economic impacts on affected communities and regional economies (e.g. reduction in irrigated agriculture and flow-on effects). Less water for consumptive use also has the potential to directly affect council’s town water supplies and, as a result, impact on population and economic growth.

Addressing socio-economic impacts

The Associations note and welcome that socio-economic impacts associated with the setting of sustainable diversion limits are to play a more substantive part in the development of the Basin Plan under the *Water Act (Cwth) 2007*. In the Associations’ understanding of the issues paper, socio-economic issues are to be considered as follows:

- *Socio-economic analysis*
Comprehensive social and economic analysis is to be undertaken across the basin and for those irrigation areas of the basin which account for the largest proportions of current water diversions and might potentially be significantly affected by any changes in future water availability. The aim would be to determine the potential implications for a range of possible changes in water availability.
- *Socio-economic optimisation of sustainable diversion limit options*
Results of the social and economic analysis are to be used to optimise how, when and where the environmental water required to satisfy sustainable diversion limits can be delivered at least social and economic cost. This optimisation process appears to mainly look at alternative options for “sourcing” the water required for the environment, including sourcing the water from different catchments. For example, if environmental water for one catchment were sourced from a different catchment, the sustainable diversion limit of the former would increase and more water would be available for consumptive use. The issues paper indicates that there would be scope to review sustainable diversion limit options and re-run the hydrological modelling to facilitate adjustments for better social and economic outcomes.
- *Reporting on socio-economic implications*

Once sustainable diversion limits have been determined for inclusion in the proposed Basin Plan, an analysis of the social and economic implications is to be provided to the Murray-Darling Basin Ministerial Councils. The council includes basin state governments.

- *Transition period*

A 5-year transition period can be included in new state water sharing plans accredited under the Basin Plan where the sustainable diversion limit for a water resource is lower than the long term average quantity of water that had been taken from the resource for consumptive use. Temporary diversion provision are added to the sustainable diversion limits and reduced to zero within 5 years of the commencement of the new water sharing plan (in NSW in 2014).

However, the Associations believe that the suggested approach to addressing socio-economic impacts needs to be further strengthened as follows:

Socio-economic optimisation of sustainable diversion limit options

Results of socio-economic analysis should not only be used for optimising where environmental water is delivered from but also allow for a re-evaluation of what has been determined as key environmental asset and ecosystem function and associated environmental water requirement. In order to maximise social, economic and environmental benefits to communities, this re-evaluation must take into account community preferences about the trade-off between water for the environment and water for consumptive use, particularly where the determination of key environmental assets goes beyond setting minimum environmental water requirement necessary to maintain basic ecosystem functions.

In relation to optimising delivery options, the Associations seek clarification on the process and set of criteria for determining which sustainable diversion limit option would result in the “least social and economic cost”. This determination is a critical process as it inevitably requires a judgement about which regional economy/agricultural area is comparatively more or less valuable. In its issues paper, the MDBA indicates that criteria such as the gross value of irrigated agricultural production would play an important role. However, the issue paper does not indicate which social criteria would be relevant and whether communities would be consulted in the process. To ensure outcomes of this process are well understood and accepted by basin communities, a comprehensive set of social and economic criteria needs to be developed and applied and appropriate consultation with communities and other affected stakeholders be undertaken.

Finally, socio-economic analysis should not only look at direct impacts but also analyse and present transition options for communities in the event of reductions of water for consumptive use.

Reporting on socio-economic impacts and structural adjustment

To ensure the Australian Government and basin state governments are fully and regularly informed about social and economic implications, reporting on these implications to the Murray-Darling Basin Ministerial Council should be on a regular basis in conjunction with the rolling update of the Basin Plan and its sustainable diversion limits. Regular and comprehensive reporting on these implications and potential transition options should prompt and enable governments to implement structural adjustment assistance where required and appropriate. Furthermore, to enable communities to deal with these implications and adapt to necessary changes, reports should be made publicly available.

In addition, the Associations urge the Australian Government to establish an interdepartmental and whole-of-government approach to assessing the need for and implementing structural adjustment assistance based on the analysis of the social and economic implications undertaken under the Basin Plan. Coordination among relevant government agencies and ministerial offices will be crucial in providing assistance in the most effective, efficient and equitable way.

Town water security and critical human needs

In their role, the Associations represent council-owned and operated local water utilities which provide water supply and sewerage services to communities in regional NSW. These local water utilities service over 1.8 million people – approximately 30% of NSW. Town water use, including

water use by manufacturing and other industries that is supplied by local water utilities, make up only a small proportion (about 4%) of total water use in the basin.

Councils are concerned about how the Basin Plan and its sustainable diversion limits will affect their town water allocation and their ability to plan for and support population and economic growth. The Associations stress the importance of giving priority to town water supplies, particularly critical human needs, and taking into account actual and anticipated growth patterns (population and industrial development) experienced and planned for in communities. Considering the small proportion of town water use in relation to total water use in the basin, priority to town water supplies can be given in the Basin Plan without affecting essential environmental flows.

Integration with existing policies and plans on land management

The Associations understand the legislative restrictions on the MDBA under *the Water Act (Cwth) 2007* to address land management, however believe that it is crucial that the proposed Basin Plan is not isolated from existing policies and plans on land management. A broad range of policies and plans already exist at a state, regional and local scale, across a broad range of water management, land management, land use planning and economic development issues.

It is unrealistic to expect the Basin Plan to solve all of the issues in the basin in isolation. An increase in environmental water will not repair environmental degradation without appropriate and integrated improvements in land management activities, and long term protection through strategic land use planning.

While the Murray Darling Basin Agreement specifically restricts the scope of the Basin Plan to water management, the MDBA must ensure that appropriate 'hooks' and/or directions are included within it to encourage other activities to align with the objectives of the Basin Plan.

Conclusion & Recommendations

The Associations welcome the recognition by the MDBA of the importance of socio-economic considerations. However, the Associations believe that the process of considering socio-economic impacts needs to be strengthened further to ensure decisions on sustainable diversion limits, where possible, take into account community preferences on the trade-offs between environmental water and water for other uses. Most importantly, to ensure communities, particularly communities in regional and rural areas, can maintain adequate living standards, social well being and economic development opportunities, it is crucial that essential water supplies for urban use (Local Government town water supplies) are guaranteed.

Furthermore, socio-economic analysis should also include options for communities to make the transition to a future with less water and inform structural assistance where required. The Association urge the MDBA to strengthen the mechanism for reporting on socio-economic impacts and identifying and implementing structural adjustment assistance.

Finally, to ensure optimal environmental outcomes, the Associations call on the MDBA to ensure the Basin Plan is adequately coordinated and integrated with the land management process.

The Associations hope their submission is of assistance and look forward to continuing to work with the MDBA on the development of the Basin Plan.