

Local Government
Association of NSW



Shires Association of NSW

SUBMISSION TO THE MURRAY-DARLING BASIN AUTHORITY'S DRAFT BASIN PLAN	
DATE	<i>April 2012</i>

1. Introduction

The Local Government Association of NSW and Shires Association of NSW (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 NSW and Australian Governments; provide industrial relations and specialist services to councils and promote Local Government to the community.

The Associations thank the Murray-Darling Basin Authority (MDBA) for the opportunity to make a submission to its draft basin plan.

The MDBA is in the process of developing a water management plan for the Murray-Darling Basin (the "basin plan") to return more water to the environment. The draft basin plan provides an outline of what the final basin plan might entail. According to the draft plan, the basin plan is expected to result in significant reductions in water diversions for consumptive use which are likely to have significant socio-economic impacts on affected communities (e.g. reduction in irrigated agriculture and flow-on effects) as well as direct impact on councils' town water supplies. NSW councils across the basin represent these affected communities as a whole, taking into account the various interests, needs and priorities of the different members of these communities.

The Associations recognise the need for and support the implementation of sustainable levels of water diversion to protect the environmental health, resilience, and productive base of the Murray-Darling Basin's river system. However, the Associations are very concerned about potential impacts the basin plan might have on the social and economic fabric of regional communities. Accordingly, the Associations will only support a basin plan that as a minimum:

1. Recognises and responds to socio-economic impacts of the basin plan across affected regions;
2. Ensures that equity is an important consideration when investing in water use efficiency programs, especially where water has already been recovered;
3. Provides greater certainty regarding the future of the regions' water resources;
4. Fully justifies any past or proposed local and shared reductions requirements;
5. Recognises benefits and progress of previous reform actions; and
6. Ensures provision for town water which allows for reasonable town growth or which excludes town water from sustainable diversion limits given the relatively miniscule amount of water concerned and the mandatory best practice guidelines in place limiting demand.

This submission further addresses the minimum requirements endorsed by the Associations, explains the underlying concerns and makes suggestions as to how they can be addressed.

2. Recognising and responding to socio-economic impacts

The Associations are concerned about the lack of a detailed strategy for addressing regional and local socio-economic impacts, particularly in more vulnerable regions that are highly dependent on (irrigated) agriculture.

The Associations believe it is essential that the process of identifying and addressing socio-economic impacts be further strengthened. Importantly, socio-economic impact analysis needs to include full-cost analysis of localised impacts, identification of options for affected communities to make the transition to a future with less water and provision of structural adjustment assistance where required. Importantly, adjustment assistance should go beyond acquiring water entitlements or investment in water infrastructure and include resources to address wider economic and social impacts on communities (e.g. impacts on related agriculture and other industries and associated employment; impacts on public services such as schools, medical services, and Local Government services; impacts

on young people and their opportunities in regional areas, impacts on Aboriginal people and the "Closing the Gap" initiative).

To ensure communities understand the need for change and the challenges involved, this process needs to be built on genuine engagement with affected communities. Decisions on sustainable diversion limits, where possible, should take into account community preferences on the trade-offs between environmental water and water for other uses. This also includes taking account of local studies on the impact of the basin plan, for example the PSI Delta study on the impacts of the draft basin plan on Narromine Shire Council and Warren Shire Council (Lower Macquarie Valley).

The Associations believe that addressing socio-economic impacts is a whole-of-government task that cannot solely be performed by the MDBA. The Associations therefore urge the Australian Government to ensure adequate mechanisms are put in place for analysing socio-economic impacts, identifying transition opportunities, and implementing structural adjustment assistance.

In this context, enhanced focus should be given to saving water for the environment by way of investment in water use efficiency and water saving infrastructure; e.g. under the Australian Government's *Sustainable Rural Water Use and Infrastructure Program*. Such investment, as distinct from uncoordinated water entitlement purchases from willing sellers, would ensure that government spending remains in the regions and supports their productive capacity, is available for economic adjustment and helps affected communities with the transition to a future with less water. When investing in water use efficiency, equity among regions should also be an important consideration, especially with respect to regions where water had already been recovered through buybacks.

In similar fashion, consideration should be given to how environmental water needs can be met in the most efficient way (e.g. by way of engineering solutions to delivering environmental water).

The Associations are also concerned about the absence in the draft basin plan of a strategy for recovering shared water reductions and the resultant uncertainty for communities.

The total reduction amount of 2,750 GL proposed in the draft basin plan includes in-valley reductions and "shared reductions" for the northern and southern basin that are to be shared among valleys in those basins. Shared reductions refer to water for river flow requirements that all valleys need to contribute to (e.g. downstream flows). However, the contribution of each valley to the shared reductions has not been determined in the draft plan. According to the MDBA, this was because the shared reductions would come from future water buybacks and water recovery through infrastructure investment (until 2019) which could not be fully specified yet. These shared reductions are significant, particularly in the southern basin with volumes of 971GL, and it is likely that a considerable amount of this would come from the Murray and Murrumbidgee valleys.

To optimise socio-economic outcomes and provide certainty to water users and regional communities, a comprehensive approach is needed on how to go about recovering shared reductions over the next seven years. This should include a commitment to take account of socio-economic impacts in valleys and a focus on investment in water use efficiency and water saving infrastructure. It should also provide for more certainty as to how shared reductions are apportioned among valleys.

3. Certainty for the regions' water resources

Concerns have been raised with the Associations as to the uncertainty associated with future reviews of the basin plan and the prospect of further reductions of water for consumptive use as a result of such reviews.

The Associations understand that the basin plan is to be reviewed at least every ten years pursuant to sections 19 and 50 of the *Water Act (Cwth) 2007*. The Associations also note that the MDBA has announced a non-statutory review of the basin plan in 2015.

Regional communities are concerned about the uncertainty over water availability associated with such reviews. Certainty is essential for ongoing investment by the agricultural and related industries. This is

particularly relevant where investment is capital intensive and long term such as investment in water infrastructure. Investment certainty in turn is essential for communities in regional and rural areas to maintain economic development opportunities and, consecutively, adequate living standards and social well being.

The Associations understand that factors that determine sustainable diversion limits such as climatic conditions or environmental water needs might change in the future and that the basin plan might need to be adjusted accordingly. However, the Associations urge the MDBA to, firstly, make sure outcomes of reviews are predictable and do not result in significant disruptions in affected regions and, secondly, processes are put in place for dealing with any socio-economic impacts that result from further changes to water use.

4. Addressing potential impacts on town water supplies

The Associations are concerned about how the basin plan will affect town water supplies and, in particular, Local Government's ability to plan and provide for the water needs of growing populations and economies in the Murray-Darling Basin.

The Associations represent council-owned and operated local water utilities which provide water supply and sewerage services to communities in regional NSW. These Local Government water utilities service over 1.8 million people – approximately 30% of NSW.

The Associations recognise that under the *Water Act (Cwth) 2007*, the basin plan and its sustainable diversion limits need to ensure that critical human water needs can be met and be given highest priority in state water resource plans implementing the basin plan. However, critical human water needs only capture a level of water use in events of very low water availability; not water use under normal conditions. 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 water supplies for urban use are guaranteed taking into account actual and anticipated growth patterns (population and industrial development) experienced and planned for in communities.

Considering that town water use, including water use by manufacturing and other industries that is supplied by Local Government water utilities, make up only a small proportion (about 4%) of total water use in the basin, priority to town water supplies can be given in the basin plan without affecting essential environmental flows. Also, local water utilities are already very efficient in their water use and have in place comprehensive demand and drought management under the NSW Office of Water's *Best Practice Management of Water Supply and Sewerage Guidelines 2007*.

Furthermore, to enable Local Government water utilities to undertake long term, sustainable water demand and supply planning for their communities, it is essential that the basin plan ensures a long term view is taken when planning for town water supply. The Associations understand that town water entitlements and allocations are to be determined by state water resource plans implementing the basin plan. However, the basin plan needs to require state water resource plans to provide a basis for planning by utilities by ensuring long term certainty of supply levels for all water availability scenarios. This is particularly relevant for utilities which do not have their own major storage facilities and are dependent on water allocation from regulated or unregulated rivers in the basin.

5. Other concerns

A number of other concerns were raised by Local Government including:

Adequacy of baseline analysis using data collected during drought of 1999 to 2009

Concerns were raised with the Associations as to the adequacy of the assessment of both environmental water needs and socio-economic impacts on the basis that these assessments appear to be largely based on data collected in the middle of the severe drought of approximately 1990 to 2009.

In terms of the assessment of environmental water needs, including the *Sustainable Rivers Audit* undertaken between 2004 and 2007, questions are being asked as to whether studies undertaken during the drought would set a balanced baseline of environmental health and water needs or rather

overestimate environmental water needs. In terms of the assessment of socio-economic impacts, it appears that the analysis uses economic and other data from around 2005/06 at which the basin economy was significantly affected by the severe drought. This could result in a considerable underestimate of socio-economic impacts when comparing with a baseline of a "normally" running basin economy.

Furthermore, concerns have been raised about the non-inclusion of the recent wet years of 2010 and 2011 in the MDBA's hydrological modelling. The Associations understand that the 114 years of historical climate data (1895 to 2009) that is included in the modelling takes account of wide variations in water availability (e.g. floods and droughts). However, excluding the latest data on the wet years of 2010 and 2011 does not follow the concept of best available science. Also, it might result in an underestimate of average water inflows, which in turn might affect the sustainable diversion limits.

The Associations urge the MDBA to include in its assessments of environmental water needs and socio-economic impacts best available science and current data, including latest data about water inflows.

Environmental watering plan

Concerns were also raised about the lack of arrangements for local decision making with regard to environmental watering plans. The Associations are principally supportive of the concept of "localism" but call for clarity around how this would work and be funded.

It appears as if the MDBA has changed its approach to environmental watering planning based on a notion of localism; i.e. rather than producing a very specific and detailed plan on how each environmental asset in the basin is to be watered and monitored, the MDBA is to prepare a high level watering plan setting out objectives, principles and methods for environmental watering and leave it to local areas to prepare detailed plans and put them into practice. Environmental watering plans are meant to manage the environmental water that is made available through the sustainable diversion limits (and any other environmental water already available).

This non-deterministic approach to environmental watering plans appears to be sensible as local knowledge could be used to be more adaptive and ultimately more effective and efficient in managing the thousands of environmental assets in the basin. However, it is still unclear who would be the local decision maker, how Local Government would be involved, how this process would be funded and audited, and how outcomes would be monitored.

6. Conclusion

In conclusion, the Associations call on the MDBA and the Australian Government to work in concert with Local Government to ensure that socio-economic impacts of the final basin plan are addressed adequately and that required levels of town water supplies are guaranteed over the long term.

The Associations hope that their comments are of assistance and look forward to continuing to contribute to the development of a basin plan that improves the health and resilience of both the river system and the communities in the basin.

For further information on the Associations' submission, please contact, Sascha Moege, Senior Policy Officer on 9242 4045 or sascha.moege@lgsa.org.au.