15 December 2010

Committee Secretary
Senate Standing Committee on Rural Affairs and Transport
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir / Madam

***LODDON MALLEE RDA COMMITTEE* SUBMISSION**
RE: Inquiry into the management of the Murray-Darling Basin

We are pleased to present this submission to the *Inquiry into the Management of the Murray-Darling Basin* on behalf of the Loddon Mallee Regional Development Australia (RDA) Committee.

Our submission has been developed in two parts. The first is a collective response from the three RDA Committee's regarding our process (forwarded to you under a separate cover). The latter (this letter) is a **regional response addressing specific place-based impacts and capturing local issues**.

Water is a significant input to the productive capacity of our region. It is estimated that approx **22% of Victoria's Gross Value of Agricultural Production** comes from the **irrigated areas of Northern Loddon-Mallee**. The Loddon Mallee region's economic, social and environmental sustainability is heavily dependent on the viability of the food/agricultural industry and their capacity to secure a reliable supply of water now and into the future.

This issue of water security and the need to establish sustainable water reserves is **clearly documented as a high priority action in our Regional Strategic Plans** (formed prior to the release of the MDBP). We, along with the Hume and Grampians RDAs' consider the impact of the Sustainable Diversion Limits to be the biggest issue facing our communities and as such water sustainability is the highest priority for action.

In November of this year, the Loddon-Mallee RDA Committee commissioned a literature review relating to the socio-economic impacts of the proposed Murray Darling-Basin Plan, as it affects our region. Although the scope of the review was constrained by a relatively short time-frame, it provides a solid base for considering the impacts on our region. (See enclosed report). It is our intention to undertake further work to develop a detailed understanding of the impacts of proposed changes in water management policy.

The reports set out in detail the quantity of water the Guide suggests is returned to the environment from our region (see section 4, page 7). Below is a summary of the key findings of the review. We have aimed to present this summary under the subheadings in line with your Terms of Reference.

The impacts for agriculture, food production and the environment

- The dairy sector is vulnerable to reduced availability of irrigation water. The research found that water availability reductions beyond those gained through irrigation modernisation and existing buy-backs would cause the dairy sector to experience a serious decline and loss of confidence. (See section 6.2.2 of attached report).
- Horticulture is less vulnerable than dairy to Sustainable Diversion Limits (SDL's), but when the next dry sequence occurs, a smaller temporary water market may mean that horticulture cannot buy the water that it needs, and the sector may adjust sharply. (See section 6.2.3 of attached report)
- Processing of dairy and horticulture generally happens locally. Processors may be buffered somewhat from the impacts of SDLs by their risk management; the likely impacts on processors are not yet clear. (See section 6.3 of attached report).

The social and economic impacts of changes proposed in the Basin

- The irrigation-based towns of Loddon-Mallee are at risk of socio-economic decline if irrigation water availability is reduced. The Loddon-Mallee region includes communities that score among the highest in terms of sensitivity and the lowest in terms of adaptive capacity across the Basin. Research revealed that horticulturists spent more than 95% of expenditure in the local town or regional centre; and towns such as Cohuna, are known to be highly dependent upon the surrounding diary industry. (section 6.4 of attached report)
- It is particularly important for the long-term prosperity of the farming sectors that those farmers who still have many years of farming before them, and who are the most productive and innovative, do not disproportionately exit farming in response to SDLs. Research revealed that 20% of farmers said they would exit farming altogether if a reduction of 20% of water occurred, rising to 31% of farmers at a 40% water reduction. (across all farm sectors in the Goulburn Murray Irrigation District; section 6.2.1 of attached report)

Means to achieve sustainable diversion limits in a way that recognise production efficiency

- Pro-rata cuts are explicitly contemplated in the Guide, even though the Government has ruled them out. Pro-rata cuts, for regional communities, would be the most negative option to meet the SDL 'gap'. (section 5.3 of attached report)
- As a priority, before committing wholly to buy-backs, irrigation modernisation (on and off farm) should be investigated to determine what potential remains to address the SDL 'gap' beyond existing programs such as NVIRP. The investigation of additional modernisation opportunities, such as Stage 2 of the Sunraysia Modernisation project, bring benefit to the wider community by protecting irrigated farming from the impact of reduced water availability. (section 5.1 of attached report)
- The design of future buy-backs should consider the recommendations of the Productivity Commission, should address community concern about the 'willingness' of sellers, and should guard against market distortions and negative impacts on sellers, other farmers and the broader community. (section 5.2 of attached report)

Options for all water savings including use of alternative basins

- SDL's are a single policy lever, but in some circumstances, a fraction of the environmental water may be required to achieve a given level of ecological outcome, if other policy levers, such as capital works and changes to land management practices can be used as well. This may be more cost-effective, with lesser negative impact on irrigators and their communities and with greater probability of achieving the desired environmental outcome. This option should be fully explored with stakeholders, including the Victorian Government and Catchment Management Authorities, as part of the process of finalising SDLs. By way of example, with the use of infrastructure the volume of water required to achieve maximum inundation of Lindsay Island is 92 GL. In the absence of infrastructure, 1000 GL is required to achieve the same inundation. (section 7.1.1 of attached report/Mallee CMA submission)
- Horticulture is dependent on accessing the temporary market to ensure adequate water in years with reduced allocations. The Commonwealth Environmental Water Holder could help minimise adverse outcomes for horticulture in dry seasons by releasing part of it's holding onto the temporary market in order to maintain the size of the available pool which will otherwise be reduced by buy-backs. (section 7.1.2 of attached report)
- A concerted effort needs to be made to ensure that regional people are given certainty, as soon as practicable, to allow them to plan for the future. (section 7.2 of attached report)

Managing change

- More work is required to explain the SDLs in terms of impacts on entitlements so that stakeholders have enough appropriate information to fully understand what it will mean for them. (section 4 of attached report)
- Sectors and regions could prepare for SDLs by strengthening adaptive capacity. Existing mechanisms such as our Regional Strategic Plans, or Strengthening Basin Communities programs, could be leveraged to help regional people plan for a future with less irrigation water. (section 7.3 of attached report)
- Implementation of SDLs needs to be planned so that people have certainty and time to adapt before the changes come into full effect. The planned implementation of SDLs in 2019 in Victoria provides the opportunity to ensure this occurs. (section 7.4 of attached report)
- There is an urgent need for a clear leadership role across the various agencies and tiers of government to set out a pathway to minimise negative impacts on regional communities. (section 7.5 of attached report)

Community engagement

- The MDBA's engagement process has inevitably generated anger and anxiety in regions, but engagement could have been designed to result in less stress, uncertainty, and potential loss of confidence. This would ideally have included cross-agency and cross-jurisdictional planning to set out the pathway to SDLs. Future engagement should learn from the experiences of the past month. (See Section 3 of attached report).

Understanding impacts at the local level and the potential for mitigating those impacts is vital. We have already engaged with the consultants employed by the MDBA who are undertaking further work in relation to a study on economic and social impacts.

It is vital that we work together to understand localised impacts of the proposed changes and develop practical solutions that strengthen the economies of the communities in which we live and work.

RDA's are well placed to access existing networks, local, state and federal governments in order to collate information and bring an understanding of the impacts on our Regional Strategic Plans to you. We will do this and provide our results to you in accordance with the timing set by the additional consultation period set by the MDBA (in order to avoid duplication and over consultation with stakeholders).

I repeat the offer made to you in the joint Victorian RDA's Submission dated 15 November, that if the Standing Committee on Rural Affairs and Transport wish to visit Victoria, **our RDA's would be pleased to facilitate a tour of the regions**.

We look forward to working with the Standing Committee on Rural Affairs and Transport on this issue, which is of paramount importance to the sustainable development of our regions.

Yours sincerely

Jenny Dawson
Chair, Loddon Mallee RDA