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Independent Assessment of Social and Economic Conditions in the Basin

Submission on the Draft Panel Report

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The Wentworth Group has always recognised that national water policy in the Murray-Darling Basin is not only a water reform – it is also a major social and economic reform. That is, successful water reform is possible through policies that create economic wealth while using less water, and in doing so improve the health of river systems for the benefit of more than 3 million people who live in the Basin or rely on its water resources. Successful reform also requires putting Basin communities at the centre of the solution. Given this, we welcome the opportunity to review the draft panel report on social and economic conditions in the Basin.

In 2017, the Wentworth Group published the first independent, comprehensive review of the Basin Plan. Its purpose was to evaluate progress towards social, environmental and economic objectives, with the view to setting out steps necessary to deliver the Basin Plan in full by 2026. Our socio-economic assessment was based on expert analysis of public data at Basin-wide and regional scales.

In this submission, we seek to identify areas where the findings from our review align with the panel's draft report. We refrain from commenting on the methods used but we recommend they are included in the final report to demonstrate the assessment is robust and representative of the communities and industry groups within the Basin. In summary:

1. **Renewed efforts are needed to deliver measurable improvements to the health of the river system.** Australia can't have viable regional communities without a healthy river. Progress on constraints relaxation, water resource plans, strategic water recovery and other commitments is needed so river systems can better support communities and industries in a changing future.
2. **Governments should invest in a regional development package that puts communities at the centre of reform.** Whilst individual irrigators have benefited from the reforms, benefits have been unevenly distributed, leaving some Basin communities disproportionately bearing the costs. Less than one percent of the $13 billion was made available to assist communities affected by the reforms to adapt to a future with less water. A regional development package is needed to assist those most affected by water recovery to restructure their economies to adapt to a drier future, and ensure solutions meet the needs of indigenous nations in the Basin.
3. **Basin-wide monitoring is needed to measure progress towards water reform objectives**. To rebuild community trust through transparency, regular measurement and reporting on environmental, social and economic outcomes is needed for the Basin overall as well as targeted reporting of progress towards specific Basin Plan objectives within each of the 23 valleys.
4. **Socio-economic assessments need to recognise the full benefits and costs of water reform.** Water reforms since 2004 have brought significant benefits to individual irrigators and to the Basin's economy as a whole. There are also benefits to industries such as tourism, fishing and floodplain grazing. Recognition of these benefits is central to the reform package and should be incorporated, together with costs, in any socio-economic assessment.

1. Renewed efforts are needed to deliver measurable improvements to the health of the river system.

Australia can't have viable regional communities without a healthy river. A healthy working Basin means communities with reliable fresh water for growing food and fibre, an open Murray Mouth with sufficient water to export salt, healthy populations of water-dependent species and ecosystems, including 16 wetlands of international conservation significance, and a range of important benefits to those who live and work in the Basin.

Impacts of over-allocation have far-reaching consequences for the long term viability of the Basin's communities and businesses. The Millennium Drought and the over-extraction of river systems had catastrophic effects on the health of the Basin in the 2000s, with the collapse of the Coorong and Lower Lakes in South Australia and widespread degradation of wetlands, floodplain forests, native fish and waterbirds across the basin. Only 2 of the 23 valleys of the Basin remained in moderate to good health by the end of the decade.[1] The impacts had flow-on effects for communities and the regional economy. One in every five jobs in agriculture across the Basin were lost from 2001 to 2011.[2]

Water reforms since 2004 were designed to protect the health of rivers, wetlands, estuaries and groundwater systems while securing water supply for people and livelihoods. Water recovered under the Murray-Darling Basin Plan has already brought local improvements to water quality and the health of fish and other water-dependent species.

Despite this progress, no overall improvement in the condition of river systems has been observed yet. There remains ongoing risks to water quality, water security and ecological health, with implications for water users and those who live in the Basin. Continued efforts are needed to return over-allocated rivers to sustainable levels of take, and to ensure river systems can support the needs of the Basin's communities and industries in a changing future. This includes progress on constraints relaxation, water resource plans and strategic water recovery to deliver measurable improvements to the river systems, and sustain ecosystems and a diversity of communities (e.g. Indigenous nations) and industries (e.g. tourism; agriculture) in the Basin.

2. Governments should invest in a regional development package that puts communities at the centre of reform

Our review found that some communities in the Basin have been adversely affected by water reform and there is inadequate support for regional communities to adjust to these reforms. Impacts of water reform and influences such as drought and mechanisation of agriculture have compounded long-term changes in social and economic structures of some regional communities. Unintended consequences of water recovery are more acute for those communities with greater dependence on irrigated agriculture and less diversified economies.[3]

Under the current reforms, only those with water to sell will receive financial compensation, and only some irrigators will benefit from infrastructure improvements. Less than one percent of the $13 billion has been made available to assist communities adapt to a future with less water. Addressing effects on local communities is vital to getting water reform back on track.

Successful water reform requires placing communities at the centre of the solution. This requires sustained support for communities likely to be adversely affected by water reforms by investment in social and productive capital that assists these communities to adapt to a future with less water.[4] Innovative sustainable solutions for regional development can include restructuring industries as a whole, providing specific assistance to individual businesses, assisting with the labour market, and investing in new economic opportunities.[5] A regional development package could also include investment in other non-water infrastructure (e.g. internet, education, transport) to support new economic opportunities, decentralisation of public services, and a regional development fund to finance innovative and sustainable projects put forward by communities. In addition to the direct economic benefits, these initiatives can also improve the resilience of communities to adapt to changing conditions such as market volatility, climate change and demographic change.

A regional development package could build upon existing work in the Basin. For example, in 2015 the Regional Australia Institute and the Namoi Joint Organisation of Councils identified the drivers shaping the future of the region over the next 10 to 15 years.[6] Six factors were identified that were likely to have the greatest influence on the future of the Namoi region: national and global cycles in commodity markets; maximising innovation in agricultural production; seeking international investment, on the right terms; engaging the Namoi in major overseas markets; urbanisation; and leveraging regional/brand marketing to attract people to live and work in the Namoi.

Different solutions will be required in different locations. Community representatives from local communities are best placed to advise governments on the support that is required. Commonwealth and state governments need to work directly with all relevant community leaders, local governments, regional development boards and natural resource management agencies in an equitable and transparent way to implement the Basin Plan in the best interest of the community as a whole. The planning horizons for delivering socio-economic outcomes need to span decades.

3. Basin-wide monitoring is needed to measure progress towards water reform objectives

The outcome for the Basin Plan as a whole is to deliver a "healthy and working Murray-Darling Basin" (Basin Plan s5.02) that includes:

a) "Communities with sufficient and reliable water supplies that are fit for a range of intended purposes, including domestic, recreational and cultural use;
b) Productive and resilient water-dependent industries, and communities with confidence in their long-term future; and
c) Healthy and resilient ecosystems with rivers and creeks regularly connected to their floodplains and, ultimately, the ocean."

The Australian Government is investing $13 billion to deliver these outcomes. Governments owe it to the community to demonstrate that these investments are resulting in demonstrable improvements in the condition of the river systems across the Murray-Darling Basin as well as social and economic objectives. In 2012, the year parliament adopted the Murray-Darling Basin Plan, the Government abolished the Sustainable Rivers Audit program that was established to measure the condition of the river systems. Governments no longer have evidence of environmental condition to make informed management decisions. It is vital, therefore, that an annual Basin-wide program of

condition monitoring is reinstated, based on lessons from the Sustainable Rivers Audit, to monitor the condition of the Basin's environmental assets as a whole, in addition to regular, targeted monitoring of the health of the system to ensure Basin Plan objectives are being met. Monitoring also needs to include risks that could affect the achievement of Basin Plan outcomes, such as protection of environmental water and management of climate change impacts.

4. **Socio-economic assessments need to recognise the full benefits and costs of water reform**

National water reforms since 2004 have brought a range of direct and indirect benefits to the irrigation industry. National water reform has improved water trade which has provided greater flexibility for irrigators to manage risks and adapt with less water. Water is now moving to higher value uses, assisted by permanent and temporary water trade. The Basin's economy as a whole has grown since 2002 and has been maintained in the five years since the Basin Plan has been in place. Water reform is also likely to benefit tourism, fishing, floodplain grazing and other non-irrigation industries, however few studies exist on the effects of water reform on these industries. These benefits are central to the success of water reform and need to be fully recognised, together with the costs, in any assessment of social and economic conditions.

References

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