



## **National Farmers' Federation**

**Submission to  
Department of Agriculture and Water Resources**

**Consultation on efficiency measures: Additional criteria for on-farm  
projects**

28 November 2018

# NFF Member Organisations



CANEGROWERS



Horticulture Council



The Pastoralists' Association of West Darling



WOOLPRODUCERS AUSTRALIA



The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

## Introduction

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The National Farmers' Federation (NFF) welcomes the opportunity to make a submission to the Department of Agriculture and Water Resources *Consultation on efficiency measures: Additional criteria for on-farm projects*. This consultation is a critical process in addressing concerns related to the implementation of the 450 gigalitres (GL) efficiency measures, and ensuring neutral or positive socio-economic outcomes for farmers and should be considered part of an ongoing commitment to address strong community concern regarding the impacts of further water recovery in the Basin.

Currently, there appears to be two separate, and potentially conflicting, positions between the Commonwealth and the New South Wales/Victorian Governments on the criteria for efficiency measures. It is unacceptable that there is not yet a consistent position from Basin Governments. Basin Governments must have a consolidated position that ensures there are neutral or positive socio-economic effects, which industry understands and accepts, on the nature of the efficiency measures as soon as possible.

Before any recovery of the 450 GL, criteria must be strengthened and extended to all projects. The NFF requests to see the final version of the criteria, prior to consideration by the Murray-Darling Basin Ministerial Council, before further comment.

The linkage of payments for supply measures with the efficiency measures, through the bipartisan commitments package struck between the Federal Opposition and Federal Coalition in May 2018, has placed a greater timing emphasis on the delivery of the 450 GL efficiency measures. It is clear that linking these payments will undermine the implementation of both the supply and efficiency measures.

For the purposes of this submission, the NFF will provide feedback on two key areas: the consultation process to date; and the questions in the consultation paper.

## Consultation Process

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To date, consultation on efficiency measures has been inadequate, superficial, and has not addressed community concern and has subsequently fostered a high degree of community dissatisfaction and mistrust in the Plan. During the initial stages of consultations, communities were given little notice of the timing and location of venues, and the venue had not been published on the website. Interested parties went through unreasonable lengths to access the necessary information required to participate in the process. It also had an RSVP process that failed to notify participants about the meeting venue prior to the meeting occurring. The Minister acknowledged this feedback, prompting a further four meetings to be held. However, this cannot be the standard in which the Department conducts itself and must be swiftly addressed.

This consultation was the first time that many communities have had the opportunity to directly voice their concerns to the Government regarding the impacts of efficiency measures, as well as the broader Plan. The NFF has heard community frustration regarding the 450 GL

efficiency measures. This is symptomatic of broader discontent of the Plan manifesting from a lack of genuine community engagement.

The recent Productivity Commission's five-year assessment of the implementation of the Plan notes that failure to address shortcoming in current arrangements will have a massive cost, especially in the context of the implementation of projects. This would mean *“community trust and confidence in the Plan and Basin Governments will be reduced further, particularly if there is a perception that money is being wasted as Governments are unaware of issues, or unwilling to confront them”*. It is therefore critical that Departments improve their current engagement processes.

The Plan is in its critical implementation phase, and it is incumbent upon Basin Governments and all stakeholders to ensure that the Commonwealth and the Murray-Darling Basin Authority respond to implementation issues and new information that emerges. Public confidence in the Plan is crucial considering the contentious nature of further water recovery through efficiency measures on-farm. It is essential that the Plan delivers the outcomes that were originally agreed. The Plan's intention was not to destroy irrigated communities. Therefore, the outcome of this consultation is vital to the success of the Plan and the Plan must adapt to take account of issues being raised through the consultation process.

## **Consultation questions**

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### ***What opportunities do you see in on-farm projects?***

The NFF notes that the Department has proceeded with tenders for off-farm projects and on-farm projects in South Australia, Queensland and the ACT, with the latter having varying levels of support. In considering proposals put forward via the tender process, the Commonwealth must be proactive in facilitating and funding the options suggested by EY's *Analysis of efficiency measures in the Murray-Darling Basin Plan* alongside options potentially available from State Governments where funding may be required to undertake feasibility or planning work.

The NFF strongly supports the Productivity Commission's recommendation to consider alternative water products that should be capable of meeting enhanced environmental outcomes. There is an opportunity to recognise the existing contribution of farmers in achieving environmental outcomes, including the formal recognition of contributions farmers make to natural wetlands on-farm which they use to store water.

### ***What risks do you think on-farm projects have for you, your business or community?***

There is justified agricultural community concern over further water recovery, especially from those that have firsthand experience with socio-economic impacts of previous Government initiatives. The Plan made in 2012 must respond to the concerns that have arisen during the past six years of implementation efforts. To ignore the past six years of lessons would be inexcusable. Trust will only be built if the Plan is adjusted to address the issues raised through consultation. If nothing changes, communities will fight the Plan. There are already many voices in the community that are opposed to any further water recovery in the

Murray-Darling Basin, which the Department would have been made aware of during its consultation process.

The NFF recommends that assessment of socio-economic impacts be considered on a local, regional and basin level as they are intrinsically linked. The impact on the water market, particularly the temporary water market, is a major concern for the farming community.

Loss of water from another irrigation district is likely to incur a socio-economic impact on that region through a loss in employment, or otherwise, and exacerbate existing socio-economic changes. Therefore, while one region may benefit, another will not, and economic risk is increased for those who rely solely on temporary water to irrigate their crops.

Further, there is the impact of stranded assets within irrigation districts to consider, in particular the ‘Swiss cheese effect’, which has already caused significant stress in certain districts.

There is also a risk to communities if projects developed fail to deliver positive or neutral socio-economic outcomes. It is unclear how the Department intends to address this issue. The NFF recommends that Governments materially recognise that demonstrated adverse impacts of these projects need to be compensable.

The key indicators to communities are the potential socio-economic impacts that may result from on-farm projects on a local, regional and basin level. Impacts of water recovery vary widely across the Basin and can exacerbate other factors contributing to socio-economic dislocation. Previous buyback of water irrigation entitlements has seen significant socio-economic impacts in some communities, and that damage must be considered in developing additional criteria for the Murray-Darling Basin Water Infrastructure Program (MDBWI).

### **Recommendations:**

**That assessment of socio-economic impacts be considered on a local, regional AND basin level, recognising that any loss in the consumptive pool cannot be recreated.**

*Do existing project criteria adequately manage these opportunities and risks?*

The program’s existing criteria requires projects to:

- *Achieve real water savings;*
- *Make well-informed investment decisions;*
- *Achieve value for money;*
- *Bring benefits to industry and communities;*
- *Provide irrigators with flexibility;*
- *Prevent profiteering or rorting;*
- *Ensure effective project and risk management;*
- *Comply with all relevant laws and regulations; and*
- *Monitor, evaluate and report.*

The NFF does not find the existing criteria to be unreasonable, and should be maintained. However, they are simply inadequate to address the socio-economic complexities as articulated elsewhere in this submission.

***What further practical steps could governments, businesses and communities take to manage these risks?***

The NFF is of the view that the pursuit of off-farm projects is the most acceptable method of managing the risks outlined above, especially in light of the community dissatisfaction thus far. The EY report, mentioned earlier, and Ministers have recognised that the existing legislated ‘single property’ impact test does not properly account for flow-on impacts to communities, irrigation districts or cumulative impacts. This must be mitigated through more comprehensive socio-economic tests or through adjustment programmes.

The Department has proposed additional actions to ensure industries and opportunities to capitalise on potential opportunities, and include:

- *The Australian Government could invite industry bodies to co-design industry-specific initiatives within the MDBWI Program. This process could focus on increasing water use efficiency in ways that address industry priorities, future needs and risks, and may include research and extension services.*
- *The Australian Government could invite irrigation infrastructure operators to co-design combined off-farm and on-farm initiatives within the MDBWI Program. This process could focus on increasing water use efficiency in ways that address network or system priorities.*
- *The Australian Government could invite local governments, or regional development organisations, to co-design region-specific initiatives within the MDBWI Program. This process could focus on increasing water use efficiency in ways that address local/regional priorities, future needs and risks, and may include research and extension services.*
- *The Australian Government could make technical reports on completed projects available on the web and to inform the development of future projects.*

The NFF agrees that the Australian Government has a greater role to play to ensure off-farm projects can be identified and practically considered outside the existing tender process and supports actions that facilitate this process. Simply using a tender/EOI process is proving insufficient. The NFF is of the view that socio-economic criteria for 450 GL efficiency measures must include off-farm projects.

In moving forward with implementing the efficiency measures, and the Plan as a whole, the Government must address existing shortcomings as well as community concerns in order to rebuild trust.

The NFF strongly advises Government to focus on building community trust in the Plan through strong and meaningful consultation. The Department and relevant State Governments must immediately allocate resources to communities to facilitate local consideration and design of programs that might contribute to efficiency measures. This should include local presence by Basin Governments to engage industry, local government and communities – a bottom-up approach that recognises and needs the knowledge and expertise of local communities.

## **Recommendations:**

**The Commonwealth to pursue the recovery of the 450 GL through off-farm measures.**

**The Commonwealth should extend the revised, comprehensive socio-economic test for efficiency measures to all projects.**

**The Commonwealth to accelerate efforts to rebuild trust in the Plan through strong and meaningful consultation and allocate resources to facilitate this process.**

***What other criteria could governments consider, including any criteria identified by Basin Governments?***

The NFF notes that there are two sets of proposed criteria to consider:

1. The Department of Agriculture and Water Resources' additional program criteria; and
2. The criteria agreed between the NSW and Victorian Departments.

The Commonwealth's proposed additional criteria include:

- *Where a proposed project is located within an irrigation infrastructure operator's network, the proponent must provide evidence that the proposal is consistent with the operator's business or infrastructure/network plans. This evidence may be provided in the form of a letter from the operator indicating that the operator has not objections to the proposed project.*
- *Project proponents must provide evidence that the project is aligned with local government or regional development plans or strategies. This evidence may be provided in the form of a letter from local government / other organisation indicating that the organisation has no objections to the project.*

The NSW and Victorian Governments have developed the following criteria. Projects must:

- *Identify potential impacts on the district and explains any benefits;*
- *Not directly increase the price of water;*
- *Contribute to the current and future financial viability of irrigation districts;*
- *Support regional economies by not impacting on irrigation jobs now and in the future;*
- *Not have negative third-party impacts on the irrigation system, water market or communities;*
- *Be supported by the community;*
- *Identify and improve social and environmental outcomes and does not negatively impact them; and*
- *Identifies, protects and improves Aboriginal values.*

The NFF considers the above criteria to be the start of a discussion for additional criteria for efficiency projects.

The NFF notes several analyses and reviews articulating the complexity of implementing the efficiency measures and the need for a more comprehensive definition for *positive or neutral socio-economic impacts*. These include:

- EY's *analysis of efficiency measures in the Murray-Darling Basin*;
- Aither's *review of socio-economic neutrality in the context of Murray-Darling Basin Plan implementation*; and
- Chapter five of the Productivity Commissioner's five-year assessment of the implementation of the Plan Draft Report.

These should be considered by the Department in developing additional criteria.

The NFF has long been committed to the fundamental principles of the National Water Initiative (NWI) including the requirement to optimise economic, social and environmental outcomes and continues its commitment to the NWI and recommends that the criteria be guided by their sound principles. This goes to the heart of the triple bottom line approach (and the legislative requirement) in the Plan and should be reflected in the process as such.

**Recommendations:**

**The Commonwealth to be guided by the National Water Initiative principles, including the optimisation of economic, social and environmental outcomes, in developing more robust and meaningful socio-economic criteria.**