

ENVIRONMENT, NATURAL RESOURCES AND REGIONAL DEVELOPMENT COMMITTEE

Inquiry into the management, governance and use of environmental water

Melbourne — 5 December 2017

Members

Mr Josh Bull — Chair

Mr Simon Ramsay — Deputy Chair

Ms Bronwyn Halfpenny

Mr Luke O’Sullivan

Mr Tim Richardson

Mr Richard Riordan

Mr Daniel Young

Witnesses

Ms Suzanna Sheed, member for Shepparton; and

Mr Rob Rendell, environmental and agricultural consultant, RMCG.

The DEPUTY CHAIR — Welcome to the Environment, Natural Resources and Regional Development Committee’s public hearing in relation to the inquiry into the management, governance and use of environmental water. I extend a welcome to the public and media present. The evidence is being recorded. The hearings are being filmed and broadcast live by Parliament’s website. I think this is a first. All evidence taken today is protected by parliamentary privilege. Therefore you are protected for what you say here today, but if you go outside and repeat the same things, those comments may not be protected by privilege.

A warm welcome to the member for Shepparton, Suzanna Sheed, and also to Mr Rob Rendell, environmental and agricultural consultant from RMCG. Today’s evidence is being recorded. You will be provided with a proof version of the transcript at the earliest opportunity. Transcripts will ultimately be made public and posted on the committee’s website. As is customary, Suzanna, we allow 5 minutes for a presentation, which you can share between the two of you, or just one of you can do that, and then the committee will ask a number of questions. We have allotted half an hour for this session. We are running 10 minutes late; therefore, I will give you the courtesy of running a little over time for this particular session.

Ms SHEED — I would appreciate that. I will have to cut to the chase a bit then because I was expecting to go for about 8 to 10 minutes just myself, and I know Rob has got some important things that he wants to contribute in relation particularly to carryover issues.

The DEPUTY CHAIR — You can table the notes if you run short.

Ms SHEED — Yes, I would be happy to do that. Just by way of background, I am the independent member for Shepparton district. Rob Rendell, who is with me today, is from RMCG and is an expert consultant who has worked for many years in the Goulburn-Murray irrigation district and more broadly across northern Victoria and New South Wales. It is particularly the GMID, the Goulburn-Murray irrigation district — I will shorten it all the way through — that we are really here to talk about today along with some of the impacts of the Murray-Darling Basin plan and the issue of environmental water.

By way of background, I was born in Barham in New South Wales and grew up at Jerilderie. I was always on irrigation farms throughout my early life, and in fact our family farm was sold in only 2008 during the very terrible end of the millennium drought, so I have had a long association with water.

Shepparton is located right in the Goulburn-Murray irrigation district. It has a rich history of primary production. Development has been characterised by access to water through irrigation. It has fertile land. It has an ideal climate to encourage agriculture and horticulture to flourish.

Geographically the region is a major transport hub. It is at the forefront of global food production, and there are many industries based in the region that supply world-class produce to international export markets and also supply food for domestic consumption. It generates very significant income for Australia and in particular Victoria.

The region has one of the highest concentrations of food processing firms in rural Australia, being the home for major companies such as SPC, Fonterra, Nestlé, Unilever, Murray Goulburn and Bega, to highlight just some of them. It is worth noting the significance of the annual production and why it is one of the most productive and intensively farmed areas in Australia. Often referred to as the ‘food bowl of Australia’, the region produces close to 25 per cent of the total value of Victoria’s agricultural production. We produce the vast majority of the nation’s fruit per category, including apples, pears and peaches. The Murray dairy region is Australia’s largest milk producer, supplying over 2.2 billion litres of milk, with the Goulburn Valley being the largest contributor, supplying over 1.4 billion litres of milk per annum.

Irrigation is critical to the region’s agricultural production and manufacturing. The irrigation modernisation scheme, after having some problems, has been reset, and it is beginning to reap the long-awaited rewards we hoped for. It will go a long way to securing our future for a modern irrigation area. The region is also known for a significant presence of transport warehousing and packing firms, including Visy, Patrick, Asciano, Amcor, Keating transport, Kreskas Bros and many others. So while our region sits on the cusp of great opportunity, we are faced with a great challenge, and the Murray-Darling Basin plan, with its emphasis on returning substantial amounts of water to the environment, is one of these.

In relation to this submission I would say that shortly after I got into Parliament we formed a group called the Goulburn-Murray irrigation district water leadership forum, and it comprises a broad array of people across the region. The Victorian Environmental Water Holder is an observer, and the CMA similarly. We have dairy, water authorities, horticulture and a range of community members on it. The purpose of establishing that was to create a credible group to try and lobby our Victorian water minister as much as possible about what our concerns are in our region so that she would be able to take those to MinCo on a regular basis.

There was a strong feeling in our region that the work that the Murray-Darling Basin Authority were doing on the ground did not reflect what we thought was happening in our region, so last year we commissioned our own socio-economic study to be undertaken, and that was undertaken by RMCG. The results of that study were made public in October 2016, and they have been subsequently backed up by a Victorian government report conducted by Frontier Economics. We were very pleased that their findings backed in the findings of the report that Rob's organisation did.

Sadly the findings back up many of the fears expressed by irrigation communities along the Murray during the consultation period for the plan. Some of the findings were an estimated 1000 jobs lost by 2020. Already more than \$550 million a year has been lost in regional production from reduced availability because of the plan. It is predicted that the annual production losses, which are linked to the unavailability of water, will cost the GMID \$4.4 billion over the plan's implementation to 2020.

The report showed that the reduction of volume of water available for irrigation due to the implementation of the plan has weakened our regional economy by undermining the productive base of the region, driving up costs, creating uncertainty, discouraging investment and compromising the region's future. The amount of water now available through irrigation is significantly less, and Rob can talk about that.

Much of the reduction was caused by the commonwealth directly purchasing over 512 gigalitres of water from the northern Victorian irrigation areas. They purchased it randomly without a plan so that we have been left with a map that has got this Swiss-cheese effect — we call it farms with water, farms without water and channels going past properties that have no water. It was not thought through, and it has been really quite devastating.

Despite what some environmentalists say, there is general agreement across our region that the basin plan has in fact achieved some good environmental outcomes. People like Jamie Pittock and the Wentworth group will say that it has not. We would dispute that. I believe the Victorian environmental water holders, the CMAs, would say that they have seen significant gains from the water that has already been achieved and is being used.

One of the questions that we then raise is: how much do they really need? How much water does the environment need? We have been very busy trying to achieve the 2750 gigalitres. The plan always provided that 650 gigalitres of that could be achieved not by taking water out of the consumptive pool but by having particular projects put in place — worked on — that would have the same effect as if the water had been taken. That has been very much the goal, and just at this very minute the Murray-Darling Basin Authority are looking at the offset projects that all the states have put forward, and they will be going to the federal water minister to put before Parliament over the next few months.

We would say about the offset projects — and the Victorian government has put a number forward — that there has not been sufficient consultation with the community about them. Business cases had not been done on them. We were asked to consult. The Murray-Darling Basin Authority comes around and talks to people at length, ad nauseam, then ticks boxes and says it has consulted widely with the community. We are not happy with the process at all. We do not think that they genuinely listen to a lot of what has been undertaken, and their disrespect for the socio-economic report that we had undertaken was extremely disappointing to our community and in particular to our group. We still have had a number of meetings with them to try and get some agreement on various benchmarks within it.

The DEPUTY CHAIR — Just on that, can I ask if you have any confidence in the report that is currently being done by Ernst & Young, which we were told was to be tabled in December, into the socio-economic impact of the 450 gigs particularly.

Ms SHEED — A number of members of our group made representations to that group. Members of Murray Dairy's board made representations to that, as did others in our community. The feedback that I received and

that I passed on to the government was that they seemed to be coming with a preordained agenda that the 450 had to be obtained. It was just a question of how we were going to get it — ‘Guys, you help us come up with some ideas on how we’ll achieve that water’ — not whether it should be achieved or whether our communities could bear the socio-economic impacts of that water. So it seemed to really disregard that notion of the equality between social, economic and environmental. We asked them to come back and consult with us again before they put their report in, perhaps when they had a draft report. There was no indication that they would do that, and they have not done that at this stage, so we are not anticipating that they will.

Do I have confidence in it? We have to say that we are not very happy with the process, and we felt that there was a bit of a decision already made to some extent in terms of where they were heading. So we can only wait and see, and I anticipate that that will be before the next MinCo, and we will see what the results of that might be.

The DEPUTY CHAIR — Sorry, Suzanna. I have diverged you from your piece.

Ms SHEED — I have got a lot.

The DEPUTY CHAIR — Look, we do not have a lot of time, so I might have to ask you to precis, if you would not mind.

Ms SHEED — Yes, I will. I wanted to really point out that at the moment there are over 11 — including yours — inquiries, investigations and reports happening into water, and many of them are related to the Murray-Darling Basin plan and what has been happening across all our southern and northern basins, but probably about three or four of them have been born out of the *Four Corners* report of 24 July this year and the subsequent *Lateline* programs, which alleged significant water theft of environmental water in the north of New South Wales and possibly Queensland. Let me be more specific on this. Many in my community say — and I will not say this directly on behalf of the GMID water leadership forum, but there are many of us community members on that group who say — the Murray-Darling Basin plan is a shambles and that it is not doing what it is meant to do. Eleven different inquiries going on at the moment I think is really strong evidence of that.

I am disappointed that there has not been an overarching judicial inquiry into the whole thing, rather than 11 different people or organisations looking into it, because there are many issues that need to be aired. Much of it is about where we are heading with it. Is the 450 gigalitres really needed? South Australia is advocating for that so strongly. They do not care whether it comes out of the consumptive pool. Our report would say that to take that 450 would be the tipping point for our community. It would be the tipping point for Goulburn-Murray Water’s business, and the impacts for us in Victoria and in the GMID would be devastating. I would really like to table that report, if I may, if it is not already in evidence. It is accompanied by a couple of fact sheets that make it easier to read.

The DEPUTY CHAIR — Thank you.

Ms SHEED — We had some additional work done that Rob undertook, just setting out some of the areas that have not been looked at closely that may be ways of generating more water for the environment rather than just continuing forging on with what seems to be the agenda of the Murray-Darling Basin Authority at the moment. We say it is time for a pause. The plan needs to have the pause button pressed, and everyone needs to sit back and wait and see what all of these inquiries and so forth have to say. It may be that the Murray-Darling Basin plan needs a reset.

The DEPUTY CHAIR — Thank you. Rob, I might have to hold you over, given that there is a lack of time, and if you wish to chip in on response to questions —

Mr RENDELL — Is it possible to just say the four areas? The first point is I think there is a good news story in the water cap in that Victoria has delivered 500 gigs per year more than what it was asked for in the plan. That has been hidden in the *Four Corners* stuff. Secondly, the carryover is good, but there are three different elements to it, and the carryover means we are holding water in store and as a result of that we are spilling. The reason we are under-using is that we have effectively got 1000 gigs in our storages. The rules need to be tweaked to have a win for the environment and the irrigators.

There are two opportunities we identified. We can look at the rules. We have only been looking at the entitlements. We have been looking at the other half of the water, if I can come back to that. The other thing is we operate the Murray system on a spreadsheet. We have put money into the farms, the distribution — everywhere — but we have not put anything into running the system to actually operate it in a modern way. We are still doing it in an old way. They are the four areas that I want to throw out, which you might be interested to ask about.

Ms HALFPENNY — I will be very cooperative and ask a question about what you were just saying in terms of, ‘We need to have a rethink and not do things the old way’. What do you mean by that, or what suggestions do you have in terms of —

Mr RENDELL — The first one is to recognise that the modelling of the basin plan is based upon the old ways. We have now got carryover, and it has changed with buyback and changed behaviour with the environment. We need to relook at it and then say, ‘How do we manage the water we’ve got?’. We are actually modelling and doing everything based on the old —

Ms HALFPENNY — The old way, you say, was a plan that did not include various management tools. It was just: this much for the environment, this much for —

Mr RENDELL — At the time it was a good description and a very good plan, but what has happened, unbeknownst to people, is we have introduced carryover and we are actually now spilling a lot more into the system. The flooding two years ago of the Barmah Forest was greatly enhanced by carryover and holding the storages. Let us go back and redo the modelling and the benefits and say, ‘Where can we actually get the outcomes?’. Let us not just assume the past; let us assume today. That would be the first one.

The second one, I would say, is we have spent 100 years developing the rules to maximise how much water we can divert. We did not care too much about the environment in that process. We are gradually starting to. If we actually change some of the rules — and we have got some papers here with some suggestions — we could actually have better environmental outcomes and, sure, we would divert less water, which would mean there would have to be a trade-off of some of the water that has been brought back to compensate. At the moment the rules are sacrosanct. It is sort of like we cannot change the rules because we might change someone’s entitlement yield.

We have got to be much smarter than that. The first step was looking at entitlements and getting them to the environment. The second step is being much smarter about looking at the rules and how we go about that, and the other one, as I said, is surely we can put some money into real-time monitoring of the river system. We are doing a bit on the Murrumbidgee, but we really have not looked at the Goulburn or the Murray. So what happens is that the operators always make sure that everyone has enough water, which means we are a bit sloppy. I mean by definition we have to be. We do not have the tools, and by the time we work out that we could have put water somewhere, it is gone. We are way back in the dark ages in terms of operating the system.

Ms HALFPENNY — Are there any countries or jurisdictions that you see that do this in a better way?

Mr RENDELL — We do it in parts of it. We are starting to do it in the Murrumbidgee. We do it in our distribution system. It is just taking it across to the river system. That would be the comment I would make.

Mr O’SULLIVAN — Mr Rendell, I just want to ask a question about the 450 gigalitres of water, because Ms Sheed was talking about the impacts of the water that has already left the GMID in terms of jobs and economic activity in the district. If that 450 gigalitres of up-water is recovered and ends up down in South Australia — and really a change of government federally and a Labor water minister could result in that change in the federal legislation, which would allow that to happen — what would the impacts be for northern Victoria?

Mr RENDELL — It depends on which bit of water is purchased, because there are different entitlements. If it is the high-security water, which traditionally it has been, then what would happen is that people would sell it to the government and then in turn it would either be sold from primarily the GMID — it being the middle. Sorry, there are three groups of farmers. There are the low-security rice et cetera, the medium-security dairy industry and the high-security horticulture. The people who are going to lose the high-security are in the middle,

primarily the dairy industry, so even when South Australia has sold water or done that, they have gone straight back into the market and bought it, and it has come out of Victoria.

That consequent trade is something about which the MDBA in their analysis says, 'That's just the market. That's nothing to do with the system'. So what would happen with the 450? If it is high security, it would be bought from everywhere — if we could find enough works, farmers wanting to do it, who would then turn around — and most of the water would ultimately come out of the GMID, if it is high security. If it was general security, it would come out of Murray irrigation.

Taking another 300 out, particularly in a drought year, would drop the GMID down to much lower. It would be about 30 per cent of what is taken out now.

Mr O'SULLIVAN — Ms Sheed, have you got a comment on that?

Ms SHEED — I think really Rob talks in a technical way.

Mr O'SULLIVAN — Water makes the jobs and economic activity.

Ms SHEED — That is right. I mean, if we have already lost \$550 million at the farm gate per year, and that is primarily coming from dairy, take another 30 per cent out and it is unsustainable. We say that the 450 represents the tipping point — that we have given up as much as we can — and we were prepared to do the 2750 generally across the community. Let us do that, provided we get the projects to make up that last 650. The 450 is the tipping point and our community cannot bear it, so much more water will come out of our area because we have the high-security water. It has already happened, and I think we are at high risk of being the target of that sort of water recovery into the future.

Mr RENDELL — And there are better ways of doing it, better ways of getting environmental outcomes.

Mr YOUNG — Ms Sheed, being a member of the Victorian Parliament, you could very easily have been sitting on this committee hearing this inquiry, but I am not going to monologue. I am just going to ask you: what recommendations would you make if you were contributing to the report?

Ms SHEED — I wanted to be here today because I heard people making some comments at Shepparton when the committee was sitting there, and I came in and felt that there was a lack of understanding about the 450. From my point of view, my recommendation is really I think on Victoria's behalf because the impact is on Victoria overall. Our region is just a part of it. So the 450 has to be taken out of the plan. It needs to be just simply not happening. If it is to happen, in no way must it ever come out of the consumptive pool. The notion that you can do works on farms and the farmer will keep some of the benefit and the environment will get the rest just means that the water is gone anyway really. Rob, can you just explain how that works?

Mr RENDELL — We have been improving our efficiency on farms since the day my father built the channel in the Murray Valley. It has been an ongoing thing, and we are going to keep improving efficiency. The limit to production is the total amount of water that is available in the consumptive pool. The Murray-Darling Basin has just issued a press release saying there were 1200 gigalitres recovered, but because 200 of that was farm efficiency — or almost 200 — it is really only 800. So it is trying to make 800 out of 1200. If you take that logic further and you take another 450 out, then really we have only taken 800 minus 450. It is a sort of a nonsense. The water is gone out of the consumptive pool, and there has been example after example of farmers doing that and then just going out and buying it and replacing the water in their system, and collectively the area loses that water.

The other side is we have got this good news story with the cap that the Murray-Darling Basin has hidden. By carryover we are using less water, and that water is spilling and is being used by the environment. Victoria has over the last eight years given up 500 gigalitres of extra water above what the plan said, which the environment has had. There has been no recognition of that at all, and in fact the basin authority for five years did not report it. They only reported it after *Four Corners* challenged them on it, and then it slipped up on their website. So there is a good news story there for the environment, and we need to get recognition for that in Victoria.

Mr YOUNG — So that is the priority recommendation?

Ms SHEED — So no more buybacks. The 450 must not ever come out of the consumptive pool. The Murray-Darling Basin plan needs to be put on pause to look into all of these issues that are going on at the moment. In relation to those recent water amendments before the Legislative Assembly, which will be going to the upper house, I voted in favour of them in relation to that assessment issue because I believe that Victoria has been absolutely doing the heavy lifting in the provision of water and that if the Victorian government gets very busy again and starts setting out exactly what we have got, where it is all sitting and all the rest of it before 2024 when the plan is meant to come to an end, we will just be asked to give up more.

So I think Victoria should know where it sits and should understand what water it has got and have that knowledge. I hope that they do, but to actually provide a public report on it before 2024 I would be uncomfortable about, because our confidence in the Murray-Darling Basin Authority and the way the plan has been operating to date gives us no confidence that Victoria would not become the target again of giving up more water, of having more water taken out of us, because let us face it we have got most of the water. We have got the river systems in Victoria that are really providing so much of the water. Queensland's water disappears before it gets to Menindee. That is the way it is now, so we do not want the Murray to turn into a Darling.

The DEPUTY CHAIR — Thank you, Ms Sheed. I do remind you we are not actually doing an inquiry into the Murray Basin plan.

Ms SHEED — I do know that.

The DEPUTY CHAIR — We are actually talking about blackwater and the environment.

Ms SHEED — I know, but it was that I had heard people talking about it and it was on the agenda.

The DEPUTY CHAIR — It is on the record.

Mr RIORDAN — Just a quick question. We had a big bevy of government experts here on the water issue. They love to tell us that they are taking in social, environmental and economic impacts. That is the basis, their reason for being. We are listening to you. We have been up in Shepparton. We have been along the Murray. Every single community says, 'We're being forgotten about. This is damaging us. It's not working for us. It's all going to hell in a hand basket'. Why is there the disconnect? What is your view of why there is a disconnect between what the agencies say they are doing versus what the communities are experiencing, and why aren't the communities able to get that message out more, do you think?

Ms SHEED — I think the Murray-Darling Basin Authority has an agenda, and it is set by government and it is set in legislation, and they are going about their business. I went to a consultation in Moama. You were there, Rob, and a number of us were there. The form of consultation was a few members of the Murray-Darling Basin organisation sitting around in groups that you could go and have a talk to. It is just an unsatisfactory way of getting a view, and it seemed to me that the purpose of it was not to let other people in our community hear what other people in our community had to say. It was a divide-and-conquer sort of way of doing it, and that often happens. I do not think it is satisfactory. I think often a public meeting and the opportunity for people to get up and have their say and for other people to think about it is a really good way of communities coming together. The reason we formed that GMID water leadership forum was to really — I do not want to say 'lobby' — try and raise the awareness of what is happening in our communities and bring it to government. I speak about water in Parliament a lot, and I —

Mr RIORDAN — Do you think the people in your communities accept or are prepared to accept that some water has to go back to the environment, or do you think most people think now, 'We've done our bit'?

Mr RENDELL — I think we need to be careful about the conflict. There is an acceptance of the need for the environment, and the environmental water holders have been, in my view, doing a very good job generally. The question is: how much more impact are we going to have with the 450? The other side is: can we do better? Can we do other things that are better? I think one of your terms of reference was on how the environmental water and water managers interact, particularly with carryover. At the moment the rules for carryover actually disadvantage the environmental water holder on one hand and they advantage them on another hand, and there could be some simple tweaks to actually have a win-win in that regard. Water that the environment releases before a spill should not be debited, but afterwards in the first big spill the environment gets it back again. So

therefore in that spill the environmental water should spill first before irrigators, but they should not have to spill anything they have already used. So there are some tweaks in there that we can do.

Is there a conflict? Look, there is change. It is the future and it is the 450, and can we be smarter? The water cap figures they have released show that the world has changed. Let us reset and have a relook and redo it. Let us not just be gung-ho and go on taking more out of the consumptive pool. That is a very lazy, naive solution to something now for which we have got many more tools. If we were able to let the environmental holders look at the rules, be smarter and do some trade-offs, we could really do a hell of a lot for both groups in a win-win. But we are not going down that track.

Ms SHEED — And I think they want some more flexibility. Eventually the environmental water holders would like some more flexibility in certain years to do certain things, and they have even suggested that we should be lobbying for that. So there is room for that sort of change. The question could be: has the environment already got enough water? We have been just forging on, recovering, recovering, recovering, and a pause in the plan would give the environmental water holders, the largest holders of irrigation water in Australia, a chance to have a look at what they have got and say partly what Rob is saying — ‘Can we look at the rules and can we see how we can do better?’ — but also just see whether they have got enough.

In a really severe drought we are all not going to have enough, but in times like we are in at the moment, when we have a bit of a dry year — and this year there is plenty of water — we all need to have an understanding of how much we need. I think this dogged path that we are on to recover 3250 gigalitres for the environment is the wrong way to think about it. We spend most of our time in Parliament amending bills. There seems to be this absolute commitment to not changing the Murray-Darling Basin plan, not halfway through a 10-year period looking at it and saying, ‘Are we doing this right? Could we do this better?’. It is just like it is sacred, and it is not right that it should be treated that way.

The DEPUTY CHAIR — And you have got four states all arguing the toss about entitlement.

Ms SHEED — That is right.

The DEPUTY CHAIR — Now we are going to stop —

Mr RENDELL — If you wanted to —

The DEPUTY CHAIR — Mr Rendell, I am going to have to stop you. I am going to ask Mr Richardson —

Mr RICHARDSON — No, I am fine.

The DEPUTY CHAIR — No? We are going to have to finish, I am sorry. We are all out of time, and I have not even had an opportunity to ask a question myself.

Can I thank you both very much for presenting today. Thank you for your submission. Table any documents you would like to table that have not been covered off in the brief time we have had this morning. And as I said at the outset, you will get a copy of the transcripts and they will go up on the website. Thank you both very much for your time this morning.

Ms SHEED — Thank you very much.

Witnesses withdrew.