

The Water Channel

ADF's channel of communication to the farmer

7 May 2012

Buyback is a community dead-end

Around 60% of irrigators who sold water to the Commonwealth used some or all of the proceeds to pay down their debt, according to a [report on water trading](#) released by the National Water commission on 18 April.

The next most common use of the cash (around 18%) was supplementing income, according to the survey in Chapter 5.

Less than 17% reinvested proceeds in capital equipment or expanding their operations – ie, invested in the future of their farming enterprise, and all the direct and indirect jobs and community life that depend on a strong farming sector.

The Government has relied for several years now on socio-economic impact assessments that assume buyback proceeds are reinvested into local economies, and therefore general buyback tenders have minimal negative impacts.

Strategic buyback has its place, but it is long past time for the Government to start redirecting most buyback funds into water-saving infrastructure, so that saving the environment and regional development can go hand in hand.

How much money is left?

The Federal Government committed \$3.1 billion for buybacks and \$5.8 billion for infrastructure (not all of this in the Basin). ADF understands around \$1.2 billion in the buyback budget, and only \$500-900 million in infrastructure, remains unspent or uncommitted.

The Government has also pledged another \$340 million a year for five years after 2015 (\$1.4 billion) for buybacks to close any remaining gap to meet SDL by 2019. So that's a total of \$3.1-3.5 billion potentially still available.

Commonwealth environmental trade

The Commonwealth Environmental Water Holder (CEWH*) late last year released a [discussion paper](#) on trading entitlements and allocations, for public comment. Not surprisingly, it hasn't attracted much public or media attention, coinciding as it has with the Basin Plan's consultation period.

The bottom line is the CEWH is highly unlikely to trade when it is very wet or very dry (so they won't be doing anything to ease your hardship in the next drought).

We think this issue needs to be considered rather more broadly than the narrowest legal interpretation of the CEWH's trading capacity under the Water Act.

The CEWH is already the largest single owner of water with 11% of entitlements in the southern-connected Basin – including as much as 17% of high reliability entitlements in northern Victoria.

So how the CEWH behaves in the market, and its use of risk management tools such as carryover, may ease or worsen the Basin Plan's socio-economic impacts.

The dairy industry will respond with a submission proposing protocols and measures to ensure that the CEWH trades responsibly, and takes socio-economic considerations into account. Submissions close 11 May.

**Commonly but rather mystifyingly pronounced as 'chew'*

4000GL will flood South Australian ‘shacks’

Constraints, it transpires, are not just an upstream conspiracy to stop the environment getting 4000GL. This is the minimum environmentalists say is needed to water 100% of floodplains in South Australia, and keep the Murray mouth open at all times.

Watering 100% of the Chowilla floodplain, for instance, needs 100,000ML/day flowing over the SA border and down into the lower lakes, according to CSIRO reports for the MDBA.

But Scott Ashby, head of the SA Water Department, has warned the MDBA in a letter aired on [ABC radio](#) in Adelaide that any more than 60,000ML/d risks flooding the hundreds of holiday homes built along the river from the border to the lakes.

This story underlines the importance of investing in works and measures to deliver optimal environmental outcomes, rather relying solely on recovering large volumes of water that may not be able to be delivered without unacceptable third-party impacts.

Murray Darling Basin Plan – what next?

With more than 12,000 submissions, the MDBA has its work cut out to read them all, as promised, and get a presumably revised draft Basin Plan to the Basin Ministerial Council by early June.

MDBA CEO Rhondda Dickson promised at an ADIC Basin Taskforce meeting on 13 April that the revised draft would be made public, which is good news on the transparency front.

The ministers will have about six weeks to consider it and recommend changes. Strictly legally speaking, the federal Water Minister can sign off a Basin Plan with whatever he wants in it, whether the States agree or not, but in practice, it would be impossible to implement without State support.

So, it means some fierce horse trading over the coming weeks. NSW, Victoria and South Australia have all rejected the draft Basin Plan in its current form, but there the agreement ends. NSW and Victoria want less than 2750GL recovered, and SA says 2750GL is not enough.

Assuming no major delays, we expect the MDBA to take a final Plan to Tony Burke by the end of July, to meet his timetable to get the plan before Parliament by September.

It is not too late to speak up and be heard!

The State Water Ministers will likely be meeting in early June to begin thrashing out what they want changed in the draft Basin Plan. Drop them a few lines on what you think:

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Basin Plan Taskforce contacts

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