



The peak body for 1,600 irrigators in the Southern Riverina

Submission from Southern Riverina Irrigators Incorporated to the Independent Expert Panel conducting the First Review of the Commonwealth Water Act 2007

Southern Riverina Irrigators (SRI) represents 1,600 irrigators in NSW Murray valley. Our members are small businesses who produce food and fibre for domestic and international markets and who rely on affordable access to irrigation water for their livelihoods.

SRI welcomes the opportunity to provide this submission to the Expert Panel for the Review of the Water Act 2007.

The Water Act is a complex legal document that provides the legislative framework for an assortment of subordinate regulation. SRI does not attempt to propose detailed recommendations for changes to the Water Act, rather we take this opportunity to identify areas of concern for the Expert Panel to consider during the Review.

Basin Plan targets being met

Given the Basin Plan is not due to be fully implemented until 2019, it is too early to be able to properly evaluate whether the objectives of the Basin Plan or if the sustainable diversion limits (SDLs) have been met.

It must be noted, however, that the Government has made significant progress towards achieving the SDLs.

In order to address community concerns about the social and economic impacts of the Water Act, the Basin Plan includes requirements to monitor these issues. SRI is concerned however that this has come as an afterthought and work done to assess potential impacts to date have been underwhelming.

SRI recommends the Expert Panel identify ways to strengthen the social and economic objectives of the Water Act.

Water Trade

The water market in the southern connected system is an active market place with in valley and inter-valley trading. However, the Water Act has resulted in a reduced consumptive pool which has led to higher temporary water prices than previously experienced, even in years with high water availability and farmers are having to carefully assess their business models.

An issue is the different water registers and the inconsistent trading regimes across borders. Currently Victoria still has restrictions linking allocation trade to land holding and South Australia has longer trade processing standards than NSW or Victoria.

The Rules regulating the water market are complex with Water Charge Rules, Water Trade Rules and the National Water Account, all administered by different agencies.

SRI recommends the Expert Panel to identify ways to ensure the rules are implemented consistently across all Basin States while maintaining protection for water users.

Trade of Commonwealth Water

Section 106 of the Water Act outlines conditions surrounding under what conditions the Commonwealth Environmental Water Holder (CEWH) may dispose of environmental water. SRI has no problem with the conditions under which the CEWH may sell water; however, it is our belief that the condition that proceeds of any such sale must be spent on water purchase prevents the CEWH managing holdings to get the best environmental outcomes.

SRI understands that there are opportunities whereby the CEWH could fund infrastructure to enhance environmental outcomes, such as fishways, infrastructure upgrades to allow environmental water to be delivered more effectively. If the conditions in the Water Act surrounding the use of proceeds of sale of environmental water were relaxed, the CEWH could achieve improved outcomes for better management of environmental water over the long term. SRI also supports the use of funds from the trade of Commonwealth environmental water to meet the cost of ownership.

SRI recommends amending Section 106 to allow the CEWH more freedom to manage proceeds of sale of environmental water for the best outcomes.

Consistency in Water Charging

SRI is concerned about the complexity of water charging and the different water charging regimes across the Basin, particularly the recovery of Murray-Darling Basin Authority (MDBA) charges.

It is also evident that despite the added complexity, the Act has not achieved consistency in water charging.

Irrigators in NSW pay regulated water charges to both the NSW Office of Water (NOW), regulated by the Independent Pricing and Review Tribunal (IPART) and State Water Corporation regulated by the Australian Competition and Consumer Commission. Both NOW and State Water collect MDBA costs through charges to irrigators.

While both the ACCC and IPART submit State Water and NOW to rigorous price determination processes that include public consultation and assessment of effective and efficient pricing, the MDBA is not subject to similar scrutiny. SRI is concerned that there is no regulator to determine whether in fact MDBA costs are limited to only what is effective and efficient.

Further, the determination processes, conducted by two separate regulatory bodies, increases the complexity to water charging in NSW and the costs incurred by both governments and irrigators.

It is our understanding that Victorian irrigators pay regulated water charges to the water authority regulated by the Essential Services Commission. We are unaware of whether these include a pass-through of MDBA charges.

South Australian water users do not pay State Government regulated bulk water charges. Therefore, private diverters in South Australia do not pay ongoing regulated charges.

SRI recommends the Expert Panel identify a way to require the MDBA to undergo an open and transparent price determination process to ensure that Governments and subsequently irrigators are only paying effective and efficient costs.

SRI also asks the Expert Panel to consider ways to minimise the number of agencies regulating water charges across the Basin.

SRI's membership are Murray Irrigation shareholders and irrigators and are concerned about the impact on increased regulation on the Company's administrative costs. For example, Murray Irrigation was required to send out a Network Consultation Paper, followed by a Network Services Plan to all customers in accordance with the Water Charge (Infrastructure) Rules. These papers were a costly exercise that, in our view, provided no added benefit.

As a non-listed public company, Murray Irrigation is required to produce comprehensive annual reports and hold open annual general meetings. The Company also hosts regular customer meetings across the region. There is ample opportunity for customers and shareholders to question the Company's strategic direction or fees and prices and shareholders can and do hold the Board to account. SRI does not see the need for additional, complex, documents to be distributed at an expense that is ultimately borne by the customer.

SRI recommends the Expert Panel reduce the administrative requirements on irrigation corporations to minimise the administrative costs for irrigators.

Achieving Objectives

Ostensibly the objects of the Water Act, Section 3, promote the use of Basin resources to optimise environmental, social and economic outcomes; however, we note that while the Act and the Basin Plan outline specific environmental targets, there are no such targets for social and economic conditions, nor is there a clear baseline against which to compare and assess future progress.

The Objects of the Act also require management of Basin water resources taking into account broader natural resource management. SRI has consistently argued that outside of this object, the Water Act and the Basin Plan adopt a 'just add water' approach that effectively ignores other key areas of natural resource management.

SRI recommends the Expert Panel identify a way to strengthen the delivery of the social and economic objectives at Section 3.

Future Reviews

Irrigators in the NSW Murray have been through years of “reform” starting in the 1980s with steps to address environmental concerns, this includes the establishment of the Barmah-Millewa environmental allowance, the privatisation of the NSW Murray Irrigation Districts in 1995, the agreement on the Cap on Diversions in 1997, the National Water Initiative in 2001 and the Living Murray Initiative in 2004.

It is our belief that none of these initiatives were finalised and given the opportunity to be operationally evaluated before the next reform was undertaken. This occurred again when the Water Act was passed through Parliament before the Living Murray initiative was fully implemented and evaluated.

It is imperative that the reform enabled by the Water Act, arguably the most ambitious of all of water reform to date, is finalised and fully operational and time allowed for comprehensive evaluation before it is reviewed. SRI strongly urges the Expert Panel to give serious consideration to the timing of the review of the Basin Plan.

The Basin Plan needs time to operate to ensure the outcomes measured cover a range of climatic scenarios given the Basin’s highly variable rainfall from year to year.

Further, after years of reform, the community needs a period of stable policy to underpin investment decisions and allow industry and the water market time to adjust.

SRI recommends delaying the review of the Basin Plan until it has been finalised and operational for at least five years.

Additional Comments

Environmental holdings

SRI believes all held Commonwealth Environmental Water should be combined into the one account to be managed by the one agency. The duplication by agencies like the CEWH and the MDBA in preparing two lots of environmental watering priorities, two environmental watering plans, and subsequent monitoring reports is unnecessary when the objectives for both are to protect and restore the environment.

SRI recommends the Expert Panel identify areas of duplication and propose combining all Commonwealth held environmental water into a single account.

Special account for the environment – Part 2AA

The Special account for the environment was an amendment to the Water Act to facilitate further water recovery under the SDL adjustment mechanism through efficiency measures. The object of this section of the Act is to “ease or remove constraints” and to “recover 450GL” water.

The SDL adjustment mechanism outlined in the Basin Plan notes that adjustments made under “efficiency measures”, which any further water recovery would contribute to, must be socially and economically neutral. Despite this, the Act identifies specific environmental targets to be achieved through this account, but does not identify even a social and economic baseline from which to evaluate neutrality.

SRI submits that the requirement to “recover 450GL” ignores the preceding objective and the note in the Basin Plan because it is required to be recovered regardless of social and economic neutrality, environmental outcomes or constraints management.

SRI recommends the Special Account be amended to provide to recovery “up to” 450GL to allow flexibility to consider and respond to constraints management and social and economic conditions when seeking further water recovery.

Part 2AA of the Water Act also gives unnecessary priority to the Coorong, Lower Lakes and Murray Mouth over and above other environmental sites throughout the Basin. Further SRI believes the ability to control the characteristics of the CLLMM is dependent on other extenuating factors such as the operation of the Barrages, tidal influx and the south-eastern drainage into the Coorong.

Further, the MDBA has repeatedly assured SRI that the CLMM is not the focus of the Basin Plan or the Water Act, yet they are singled out by name in both the Basin Plan and the Water Act unlike other sites like the Chowilla floodplains, Hattah Lakes or the Koondrook-Perricoota Forest.

SRI is of the view that the objectives of the special account should be limited to achieving improved environmental outcomes along the River Murray system in a socially and economically neutral way and should not imply priority targets such as in this instance by identifying only the CLMM.

Conclusion

SRI believes there are improvements that can be made to the Water Act that would strengthen its capacity to deliver a triple bottom line.

We hope that the Expert Panel will focus on ensuring the Water Act is robust enough in both legislation and implementation, to provide a level playing field that minimises negative social and economic impacts.

We ask the Expert Panel ensures that Basin environmental assets are treated equally, and that the Water Act does not single out one environmental site over all others.

We believe it is vital that the Basin Plan is finalised and fully operational for some time before a review is undertaken, to give communities some stability and to ensure the review is evaluating true outcomes, not expected or modelled outcomes.

We thank you for your time and attention to our concerns and suggestions and we hope our submission is of assistance in your very important task. As I said in my opening paragraph, SRI represents 1600 Irrigators in the NSW Murray valley, but the impact decisions made by people such as you have a much wider impact than on just 1600 lives. In the towns dotted throughout our region most businesses and service providers rely heavily on the health of the agricultural pursuits going on around them for their continuing survival. The food and fibre our membership produces not only fills the tables of Australians, but is widely exported, creating wealth for Australia.

Whilst memories of the 'good old days' are on occasion recalled fondly, our members are pragmatists and appreciate the need for maintaining effective standards and protocols for the efficient use of water, the equitable sharing of water and the sustainable wellbeing of the environment and we hope this document will assist in this outcome.

Yours faithfully,



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