



National Water Reform

Victorian Farmers Federation Submission

March 2021

**VFF Water Council
Richard Anderson, Chairman
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Melbourne 3000**

The Victorian Farmers Federation

The Victorian Farmers Federation (VFF) is the only recognised consistent voice on issues affecting rural Victoria and we welcome the opportunity to comment on the Productivity Commission's Draft Report regarding National Water reform.

Victoria is home to 25 per cent of the nation's farms. They attract neither government export subsidies nor tariff support. Despite farming on only three per cent of Australia's available agricultural land, Victorians produce 30 per cent of the nation's agricultural product. The VFF represents the interests of our state's dairy, livestock, grains, horticulture, flowers, chicken meat, pigs and egg producers.

The VFF consists of a nine person Board of Directors, with seven elected members and two appointed directors, a member representative General Council to set policy and eight commodity groups representing dairy, grains, livestock, horticulture, chicken meat, pigs, flowers and egg industries.

Farmers are elected by their peers to direct each of the commodity groups and are supported by Melbourne-based and regionally located staff.

Each VFF member is represented locally by one of the 200 VFF branches across the state and through their commodity representatives at local, district, state and national levels. The VFF also represents farmers' views on hundreds of industry and government forums.

Emma Germano
President

Summary of Recommendations:

Recommendation 1: That the PC review does not give sufficient regard to matters in Section 8 of the Productivity Act; including reducing regulation, encouraging growth in industries, facilitation of structural adjustment, recognition of the impact on those affected by reforms, increased employment and promotion of regional development.

Recommendation 2 : That the PC provide a more compelling case to renew the NWI.

Recommendation 3: That the PC honours existing entitlement framework and new classes of entitlements should not be created.

Recommendation 4: That the PC acknowledge that Traditional Owners (TO's) should access water set aside for the environment due to alignment of interests.

Recommendation 5: That the PC acknowledge that environmental objectives and outcomes will have to be adjusted over time to reflect a changing climate and this is best achieved through an adaptive management framework including complimentary measures.

Recommendation 6: That the PC acknowledge the importance of food production and agriculture's use of water.

Recommendation 7: The PC provide clear recommendations regarding metering and compliance.

Introduction:

The Victorian Farmers Federation (VFF) welcomes the opportunity to provide comment to the Productivity Commission's Draft Report on national water reform.

Much has been achieved since the establishment of the National Water Initiative in 2004, however concerns remain in the management of our water resources to enable agriculture to farm with confidence particularly in the Murray Darling Basin.

Scope of report

It is difficult to see how the draft report has regard to all of the matters set out in Section 8 of the Productivity Act 1998 that is reproduced below.

"8. General policy guidelines for Commission

- (1) In the performance of its functions, the Commission must have regard to the need:
 - (a) to improve the overall economic performance of the economy through higher productivity in the public and private sectors in order to achieve higher living standards for all members of the Australian community; and
 - (b) to reduce regulation of industry (including regulation by the States, Territories and local government) where this is consistent with the social and economic goals of the Commonwealth Government; and
 - (c) to encourage the development and growth of Australian industries that are efficient in their use of resources, enterprising, innovative and internationally competitive; and
 - (d) to facilitate adjustment to structural changes in the economy and the avoidance of social and economic hardships arising from those changes; and
 - (e) to recognise the interests of industries, employees, consumers and the community, likely to be affected by measures proposed by the Commission; and
 - (f) to increase employment, including in regional areas; and
 - (g) to promote regional development; and
 - (h) to recognise the progress made by Australia's trading partners in reducing both tariff and non-tariff barriers; and
 - (i) to ensure that industry develops in a way that is ecologically sustainable; and
 - (j) for Australia to meet its international obligations and commitments.

In particular it is difficult to see how matters set out in sections 8(1) (b), (c), (d), (e), (f) and (g) have been addressed, and they certainly deserve equal consideration to 8(1)(i).

Recommendation 1: That the PC review does not give sufficient regard to matters in Section 8 of the Productivity Act; including reducing regulation, encouraging growth in industries, facilitation of structural adjustment, recognition of the impact on those affected by reforms, increased employment and promotion of regional development.

Case for Renewal of NWI

The draft report does not provide a compelling case to renew the NWI or establish an ongoing multi-jurisdictional National Water Reform Committee to oversee its implementation.

The draft report attributes many of the improvements to water resource management that have occurred since 2004 to the NWI with little evidence. Most of the reform in Victoria's water management arrangements commenced over a decade earlier with the development and passage of the Victorian Water Act 1989.

The abolition of the National Water Commission in 2014 has had little effect on the management of water resources in the State. And there is little evidence that recent assessments of each States' performance against the National Water Initiative causes significant changes in the States' water administration. The reporting arrangements certainly create red tape and an administrative burden.

The report has not provided evidence that there is a significant gap in current management arrangements at a National or State level that requires a national response and oversight by a National Water Reform Committee. Climate change and the ongoing challenges of managing water supply and demand is a national matter, but solutions have to be found at a local level and local solutions are bespoke depending on local economic, social and environmental factors. It is currently being actively managed by the States.

The report does not clearly distinguish between matters of National, State and regional accountabilities and in particular the role at the national level.

Little evidence is presented that current arrangements to manage inter jurisdictional issues would be improved by creating a National Water Reform Committee and there is a major risk of duplication with existing arrangements such as the Murray Darling Basin Agreement.

The benefits and costs of water reforms are not experienced at the national level, they are felt at a state and local level and are best dealt with by state governments.

Despite these concerns the VFF support the proposed inclusions in a revised NWI including:

- Managing environmental water adaptively with a focus on outcomes
- Using environmental water holdings to support Traditional Owners (TO's) and broader public outcomes
- Maintaining system integrity through metering and monitoring

Recommendation 2 : That the PC provide a more compelling case to renew the NWI.

Traditional Owners

Traditional Owners should access water set aside for the environment because the alignment of interests.

Water for TO economic use should be part of current entitlement regimes for consumptive water, new rights should not be created – consistent with PC position on minerals. The VFF does not support Government participation in the water market, particularly through the provision of public funds to access water for any purpose including First Nations economic use.

Recommendation 4: That the PC acknowledge that Traditional Owners (TO's) should access water set aside for the environment due to alignment of interests.

Environmental management

The VFF supports most of the Draft NWI renewal advice and recommendations in this section and the general statement that –

“Whether environmental water is planned or held, the focus for the next phase of reform should be to ensure that environmental water is managed efficiently and effectively to deliver agreed (and where possible, better) environmental outcomes (p83).

In particular the VFF supports Draft Renewal Advice:

- 8.6 requiring transparent trade strategies for environmental water
- 8.9 requiring environmental water holders to actively pursue public benefit outcomes

The VFF is concerned that Draft Recommendation 8.1 will shift funding away from existing natural management programs to programs linked to aquatic ecosystems. It is clear that environmental watering activities need to be supported by new programs of complementary measures that ensure that the anticipated benefits of environmental watering activities are realised. Environmental water must be seen to be used efficiently.

Recommendation 5: That the PC acknowledge that environmental objectives and outcomes will have to be adjusted over time to reflect a changing climate and this is best achieved through an adaptive management framework including complimentary measures.

Rebalancing – Need for Environmental Objectives to be adjusted.

The VFF does not support the idea of rebalancing consumptive and environmental shares and cannot see how it would be applied on-ground. The VFF cannot see how this process of ‘rebalancing’ would work in practice. If poorly implemented, there is a significant risk that it would undermine the security and reliability of landholder of property rights.

The VFF believes that over time, environmental objectives, and outcomes will have to adjust to reflect a changing climate.

The VFF support the PC's comment:

“The ultimate objective of providing water for the environment is to improve the health of the rivers, wetlands and other water dependent ecosystems – not simply a volume of water” (Pg 93)

Therefore the PC should support the adjustment of environmental objectives and outcomes, although this is not reflected in the report.

Importance of Food Production:

The PC seems to have ignored the importance of food production in report. During water scarcity water sharing actions recognised by the PC only include meeting “critical human and environmental needs” (Pg 65) – there is no mention of food production. In light of COVID 19 the importance of home grown food is critical to the Australian economy.

Recommendation 6: That the PC acknowledge the importance of food production and agriculture’s use of water.

Best Practice Monitoring and Compliance

The NWI acknowledges the importance of credible and reliable metering.

Yet some States have made little progress in their compliance. In the Northern Basin floodplain harvesting remains unmetered, and in New South Wales and South Australia we have direct river diverters taking water they do not have available in their accounts.

We have seen unauthorised take by river diverters in South Australia who only check meters at the end of the irrigation season. This results in spiking water prices as interstate irrigators scramble to balance their water accounts.

The VFF believe the PC need to be clear with their recommendations regarding an acceptable level of metering. Meter reads once a year is clearly unacceptable.

Recommendation 7: The PC provide clear recommendations regarding metering and compliance.