



National Water Reform Review

Productivity Commission

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Southern Riverina Irrigators

SRI is a peak lobbying organisation providing advocacy for our membership which is comprised of five landholder associations whose members are irrigators, farming within the footprint of Murray Irrigation Limited in the southern Riverina of NSW.

Formed in the 1960s, SRI now represents over 1,600 water users committed to producing food and fibre through environmentally and economically sustainable practices.

Our key principles are:

- We recognise the property rights of water entitlements
- Water reform must deliver against the “triple bottom line” meeting environmental, social and economic objectives.
- Water reform must be about outcomes, not volumes.

Contact: Graeme Pyle, Chairman

Summary

It is time for water reform to stop.

It is time to let the multiple reforms of the last 20 plus years to take effect.

It is time to let the impacted communities adjust.

As the representative body for around 1,600 NSW Murray irrigators, our membership has probably faced more reform than any other region in the Murray Darling Basin.

“To every action there is always opposed an equal reaction.” Isaac Newton.

Every piece of water reform has an impact on water users. From the cap on extractions leading to the limitation of announced allocations to the recognition of water as a property right leading to the utilisation of sleeper licences. For every piece of reform the positive is counterbalanced by a negative somewhere.

More importantly, every time there is water reform, irrigators must adjust their businesses. With the multiple reforms that have been implemented since the turn of the century, our irrigators have not had time to adjust.

There is a very real feeling of reform fatigue in our region. There are high levels of cynicism about reform and the government agencies responsible for their implementation. Recent studies from both the north and south of the Murray Darling Basin are now showing the cumulative impact of water reform on communities.

The Treasurer has asked the Productivity Commission to review the progress of all Australian governments in achieving the objectives, outcomes and timelines anticipated under the Intergovernmental Agreement on a National Water Initiative (NWI).

The Productivity Commission must consider the positives and negatives of reform. It is imperative that as well as considering the cost-benefit of water recovery for the environment and other associated reforms, that the cost of lost productivity is factored in.

We believe that the NWI cannot be looked at in isolation and consideration must also be given to the community impact of the implementation of the multiple reforms that have been implemented over time.

National Water Initiative

The NWI recognises the imperative to “increase the productivity and efficiency of Australia’s water use, the need to service rural and urban communities, and to ensure the health of river and groundwater systems...”¹ and that “...settling the trade-offs between competing outcomes for water systems will involve judgements informed by the best available science, socio-economic analysis and community input...”².

These objectives are commendable; however, the issue is the continual efforts to “reform” water management in Australia has seen them eroded. SRI is of the view that the essence of the NWI has not been embedded into the Water Act 2007; the trade-off for competing interests outlined in the intergovernmental agreement, is not possible, or able to be contemplated, as it is presently drafted.

Over allocation

The NSW Government has taken steps to deliver against its commitment to the National Water Initiative.

The first round of Water Sharing Plans, implemented in 2004 deliver against the NWI objectives of:

- Transparent, statutory-based water planning;
- Statutory provision for environmental and other public benefit outcomes and improved environmental management practices; and
- Operate within an environmentally sustainable level of extraction.

The last point being key. In the NWI intergovernmental agreement, the objective is written as:

“complete the return of all currently overallocated or overused systems to *environmentally-sustainable levels of extraction*”³.

The term “overallocated” has always been a point of contention for NSW water users. NSW has developed water products and water sharing plans to suit both industries (permanent plantings or broadacre annual crops) and the variable Australian climate.

- Under the water sharing plans, the environment is top priority and rules based environmental water is enshrined in the regulations.
- High security water entitlements are the first priority for irrigation allocations and have a high reliability. Except in extreme drought years, there is enough water in the system to consistently deliver 100 percent allocation against these entitlements – noting that to deliver on the NWI, the NSW Murray Water Sharing Plan issues 97 percent to water users and 3 percent to environmental accounts first.

¹ Intergovernmental Agreement on a National Water Initiative, para 5

² Intergovernmental Agreement on a National Water Initiative, para 36

³ Intergovernmental Agreement on a National Water Initiative, June 2004, p4

- General security water entitlements are the lowest priority and allocations are only made against these when there is enough water in storage to deliver on all previous priorities including around two year of critical human need.
- Supplementary entitlements. Supplementary water can only be taken when access has been declared by the NSW Minister. This occurs when environmental water needs have been met and there is water in the system that cannot be stored or regulated.

How can a system be overallocated when the allocation system in NSW is specifically designed to only allocate what is there?

NSW water users are accustomed to variable water availability and have developed industry and business systems accordingly. This suits the variable nature of our water supply and does not need reform.

Moving goal-posts

The definition of an “environmentally sustainable level of extraction” keeps changing. The goal-posts keep being moved.

In the NSW Murray, volumetric allocations were introduced in 1967 meaning there could be no new entitlements issued. If farms were subdivided, their water entitlements were also subdivided. This was in response to irrigation demand outstripping supply for the first time.

Then followed the introduction of the cap on extractions in 1997 limiting extractions to the level of 1994. At the time the Cap for the NSW Murray was 1,825GL/year long-term average. Governments had to introduce methods to account for extractions and diversions and manage allocations accordingly.

In 2001 and 2002 Governments commenced the Living Murray program and the Water for Rivers initiative, both designed to take water from consumptive users and devote a volume to the environment thereby reducing extractions further.

The NWI proposed addressing the “overallocation” of the system further and the NSW Water Sharing Plans were drafted in a way to ensure the environment had first priority.

By 2009, diversions in the NSW Murray were estimated to be 1,812GL/year long term average⁴.

By the time the Basin Plan is implemented in 2019, the sustainable diversion limit for the NSW Murray is to be 1,550GL/year LESS a contribution towards the shared recovery target for the southern basin.

This continual erosion of entitlement from consumptive users must stop.

Each and every one of these reforms was “sold” as addressing the historic overallocation of the system and to find the “environmentally sustainable level of extraction”.

⁴ Basin Plan, Schedule 2, BDL estimate for the NSW Murray.

In the southern basin, the NSW Government has consistently met its cap obligations and its commitment to the various water reforms, yet authorities continue to come back asking for more.

The fact is that we have modified a river system that used to regularly dry, to a point of becoming disconnected in sections, such that the whole river remained connected throughout the Millennium Drought – conditions that would previously have seen a drying of the Murray River in parts.

“The Institutional Response (of the Murray Darling Basin Commission, the basin states, and farmers) was extraordinarily innovative and – within the bounds set by nature – effective. Not only for the economy but, as shown by the National Water Commission, for ameliorating the environmental damage of the terrible drought.”⁵

It is time that Governments stopped reacting to climate extremes and start ensuring that our agencies and industries have the resources in place to manage through the extremes.

Social and economic

The Productivity Commission has been tasked to consider implementation of the NWI. At the same time, it must consider the impact on regional productivity and sustainability.

Our area includes the towns of Finley, Berrigan, Jerilderie, Deniliquin, Moama, Tocomwal, Barooga, Moulamein and Barham and the villages of Blighty, Conargo, Mathoura and Wakool.

It is estimated that over 90 percent of businesses in our region are directly reliant on irrigated agriculture⁶.

The impact of water reform is putting pressure on our regional community. The momentum of reform and the continually moving goal posts means that water users have not had time to adjust their businesses to the new paradigm of river management.

While Governments have committed to “bridging the gap” between historic diversions and the pending sustainable diversion limit, the speed by which change has occurred, and the impact on the market, means that all water users are feeling the effects regardless of their individual participation.

Recent social and economic studies into the impact of the Basin Plan on communities are showing the negative impacts that are being felt in some of the most vulnerable communities⁷. SRI, in association with Murray Irrigation and the Murray Valley Private Diverters have commissioned RMCG to conduct a study of the impacts of water reform in the NSW Murray which is due to be released mid year.

⁵ The late John Briscoe, Harvard University, submission to review of the Water Act 2007, 2011

⁶ NSW Central Murray Community Profile – Delivering the Basin Plan, Marsden Jacobs & Associates, May 2010

⁷ Northern Basin Review, MDBA and Goulburn-Murray Irrigation Districts social and economic review, RMCG, 2017.

As it stands, in 2010, the MDBA predicted the implementation of the Basin Plan could reduce our regional productivity by over 20 percent⁸ or around \$92million annually. For a region with a population of just over 31,000, that works out to be around \$3,000 in lost productivity per person per year.

The RMCG study of the impact of the Basin Plan in the Goulburn-Murray Irrigation districts shows that there have already been around 1,000 jobs lost after around 20 percent reduced water use in any given year. The report also found that water recover through the Basin Plan has resulted in \$550 million in lost production each year in the GMID⁹. Early work on the NSW Murray impact assessment shows similar alarming figures with reduction in regional productivity in dry to average years due to the broadacre nature of most farm businesses in our region.

The Productivity Commission must consider these impacts and what it means to the national economy as a result of the changing face of agriculture due to water recovery and the water market.

Other issues

Some reform over the years has been conducted in concert with the efforts of landholders and governments working together to improve local environmental outcomes.

One such program was the Land and Water Management Plans implemented in the Murray Irrigation area from 1995 to 2010. This program saw a collaboration between the State government and local landholders and, to a lesser extent, Federal agencies. It was designed to address rising water tables and soil salinity.

This LWMPs were carried out to compliment locally the Basin Salinity Management Strategy and together, those programs have worked to capture and minimise River Murray salinity. Measured at Morgan, salinity levels have declined and now are consistently recorded at below 800EC.

Despite the success of this program, however, current reforms still use salt export as a justification for their implementation. They also fail to adequately explain how past policies fit into these future reforms. For example the Basin Plan does not explain how South Australian dilution flows, which are currently arbitrarily released regardless of the actual need for dilution based on recorded EC, will be used in the future. Nor is there any mention or acknowledgement of the additional dilution flows, the rules of which are based purely on storage levels not EC levels.

SRI believes the management of the volume equivalent of dilution flows should be reviewed to provide benefit to the landholders and farmers who have worked over the years to improve salinity.

⁸ *Socioeconomic analysis and the draft Basin Plan, part A*, MDBA November 2011, p104

⁹ Basin Plan – GMID socio-economic assessment, Prepared for the GMID Water Leadership Forum, RMCG, Sept 2016

Conclusion

SRI is committed to sustainable and efficient farming practices that leave our land and environment in better condition for the next generation. But, we are also committed to ensuring that our members can operate in a stable policy environment that enables them to focus on the business of producing food and fibre for our nation and the world.

The multiple efforts to “reform” river and water management since the mid 1990s have meant that our membership have not had the ability to adjust and stabilise their businesses before the next piece of reform is imposed. If that is true for our members, it must also be true for the environment and environmental water managers.

Enough is enough.

SRI asks the Productivity Commission to recommend a moratorium on further water reform until the past reforms can be thoroughly assessed for the efficacy over time.