

Productivity Commission

National Water Reform inquiry

12/4/2017

To whom it may concern,

I offer the following comments in regard to the above inquiry as person with a lifetimes experience in irrigated agriculture in Victoria's Goulburn Valley. My experience spans irrigated agriculture in the horticulture industry and State Government, Water and Catchment Management Authorities.

The establishment of the National Water Initiative was a key step in the national water reform process and it has led to many substantial achievements in our industry. These changes have also brought with them challenges that I highlight in my following comments.

Historically the implementation of water reforms nationally has from time to time been held up by States and parochial interests of industries and regions. This reluctance of States to implement reforms continues with NSW and to a lesser extent Victoria hindering the implementation of the Basin Plan. NSW continues to refuse to address the implementation of flow shepherding rules that is the foundation of delivering environmental flows throughout the Basin. NSW also continues to enhance irrigations ability to pump on unregulated streams. This easing of restrictions, effectively is an increase in water entitlements, has impacted irrigators, towns, communities and the environmental health of rivers downstream. A prime example of this is the NSW Governments Barwon-Darling Water Sharing Plan, adopted in 2012.

State governments are also failing to address requirements in the Basin Plan to develop strategies for the removal of constraints that compromise the delivery of environmental flows. These constraints have received limited recent publicity however, to maximise the environmental gains of limited water for the environment, need to be overcome. Why would in excess of \$10b of taxpayers funds be spent and then purposely restrict the effectiveness of this outlay?

The dramatic and mostly unmonitored growth of water markets poses an unacceptable governance and reputational risk to water reform and the water industry. With dispersed trading agencies, unlicensed operators and little in the way of checks and balances of trades, time is overdue for a single national water trading market. Recently we've seen examples of these trading agencies being not only the agent, but also sellers and buyers of entitlements. There is a lack of equity and transparency in the current myriad of markets.

Water reform has on balance been successful in moving finite water resources to highest value return commodities. Water has traded out of marginal areas and commodities to high value crops. Without these changes, and in particular water trading, many of our traditional commodities and irrigation regions would not have survived the millennium drought. However there will always be winners and losers, and some towns and districts have lost water entitlements to the detriment of the community. Unfortunately this past and continuing movement of entitlements is now affecting the implementation of the Basin Plan.

Communities are claiming the Basin Plan and the buyback of water entitlements are the root cause of their problems and campaigning for reduced environmental water and flows.

The distinction between the water reforms and the Basin Plan is not well understood and should be addressed.

I believe funding support for industry and community transition during past water reforms and the implementation of the Basin Plan has been inadequate and ill planned, it has in many cases failed to achieve desired outcomes, and should be addressed.

The opportunity to reduce the size of irrigation regions and in some cases the retirement of districts altogether from irrigation has in most cases been missed by State Governments and Water authorities taking easy options, avoiding the required hard decisions. Only by reducing the footprint and associated costs of irrigation can irrigation industries remain financially sustainable into the future.

On-Farm Water Efficiency Programs have had unintended impacts with a trend towards more energy intensive irrigation methods. These grants encourage increased dependence on power usage, and in many examples have adverse impacts on the environment, by the clearing of remnant vegetation and bio-diversity. Unfortunately over time, water efficiency has dominated planning to the detriment of the environment and in some cases the ongoing financial viability of irrigation enterprises.

With a high proportion of water transfers shifting water downstream to green field sites, the timely delivery of this water will be problematic at times in future years. The delivery of this water to downstream users is also potentially a serious environmental risk to the Goulburn and Murray River channels with unseasonal high flows during irrigation demand. There is a strong argument for a moratorium being declared on the downstream trade of permanent water entitlements until this issue is resolved and anticipated restrictions implemented.

John Pettigrew

Victoria. 3634