

Submission to Productivity Commission on market mechanisms for recovering water in the Murray-Darling Basin

I am aware of many irrigators in Queensland who have put in a tender, but to my knowledge no water has been bought. At a meeting in St. George the water Buy Back people indicated that they would not be paying for associated infrastructure – I indicated to them that that would mean the only way irrigators in St. George would be participating is when the irrigation industry was unviable. While ever irrigation was viable other irrigators would be able to pay more than the Government was prepared to pay for any properties that came up for sale.

Until our ROP is completed we cannot separate Water title from Land title. This means that any sales in our area will need to be for land and water. There is the opportunity to enter into agreements with other parties who are interested in buying land only and stripping the water off at a later date. This pathway should be explored and the Government should enter into the normal market to allow this. This should especially be explored for sleeper and dozer licences as these should not have large infrastructure costs expended to date.

My concern is that if the Government does not meet the market no water will be acquired and if it is deemed in 2011 that some water does need to be returned to the environment what then is the mechanism?

It appears from the media that Cubbie have offered up to 70000ML of nominal Volume (which is equivalent to average annual take) for tender. It would seem that if the Government doesn't attempt to buy at least that amount from Cubbie then how serious are they about providing environmental water in this part of the catchment?

I would suggest a better way to go with the Buyback in this part of the basin would be to determine how much of a cut back if any is required in 2011, account for any purchases and then compulsorily acquire the same proportion from each irrigator who hasn't already contributed through the buy back process. This water would be acquired at the same market determined price across the board. The irrigator could then choose to spend the money on efficiency improvements, debt reduction or any other thing.

Evaporation

It is stated on page 11 of the issues paper that “very considerable amounts of money have been earmarked for upgrading infrastructure to reduce losses from leakage and evaporation.” I have been involved in discussions at St. George with SunWater to upgrade the SunWater scheme using up to \$40,000,000 available from the Federal Government. The Commonwealth money is only available if the schemes water savings are available in terms of a water allocation. The only allocations in Queensland schemes are for irrigation or for distribution losses. In the St. George scheme these distribution losses are of the order of 10000ML and the most that could be saved there would be 3000ML. However huge water savings could be made by a reconfiguration of the major storage of Beardmore Dam that only has an average depth of 2.9 m. However, because there is no “allocation” for the evaporation these savings are ignored and so a good project goes begging and I don't see how we will

be able to use the Government money that is on the table. Given the above statement that substantial amounts of money have been earmarked to reduce evaporation I think the two Governments need to get together to make this a reality. It is a nonsense to think that evaporation can not be defined in some way that a value can be placed on it. I don't see evaporation in our system as any different to a water harvest allocation that is really only defined within the IQQM modelling.

Administrative changes

ABARE has recently published two reports on Capacity Sharing. One of these looked in detail at the system as it operates at St. George. We would contend that without the change to Capacity Sharing which coincided with the beginning of the drought the Irrigation Scheme at St. George would have been a basket case. Some of our irrigators have been suggesting further changes that could improve efficiencies even more. The major one of these is to allocate water in Gross terms thus enabling irrigators to store their water in the most efficient storage. If that storage was on their own farm then they would pump into there rather than leave it in the shallow Beardmore Dam. At the moment there is little incentive to do this.

Prices Paid

The table 2 on page 10 of the issues paper indicates that a very high price has been paid for water in the Gwydir catchment. I have calculated the price paid per ML of average annual volume of water available as \$6266 in the Gwydir which is more than twice that in the Macquarie (\$3033/ML) and four times that in Southern NSW. I can only think that a very high value has been put on the environmental requirement in the Gwydir valley. Given these prices I find it hard to understand that no water has been purchased in the Condamine /Balonne given all the talk of the destruction caused by over allocation in this part of the catchment. I know of plenty of water that has been tendered around the \$2500 to \$4000/ML of nominal volume. At least in Queensland the Nominal Volume gives a consistent description of the reliability of the water allocation.