

Response to Productivity Commission Issues Paper on Water Buy Back Sep 09

By the Board of

Border Rivers Gwydir Catchment Management Authority

The Border Rivers-Gwydir Catchment Management Authority thanks the Productivity Commission for the recent opportunity to meet with your staff in Moree and is following up the issues discussed in this submission. We apologise that it is late and hope you are able to consider it in your findings.

We have summarized the issues into several key principles, outlined below:

- 1) **Buy-back is one tool as part of a much more comprehensive solution:** There is a place for permanent entitlement buy back – but only in direct relation to addressing targeted areas of over-allocation, to get extractive entitlements back to sustainable levels. This is for two reasons:
 - i) buying permanent entitlements from irrigators for the environment needs to be a last resort policy option as every ML taken out of agriculture has a flow-on negative impact for production of food & fibre and eventually for the economy, with research demonstrating a multiplier effect of 5 times for every dollar spent on farms. Therefore when considering how much environmental water is needed the focus should be on the outcomes being sought and looking at initiatives to optimize the synergies (eg: dual use, trading options, seasonality opportunities) all before considering the option of purchasing permanent water for the environment. The concepts of covenants, seasonal allocations, purchasing environmental services etc are all concepts that should be explored as part of the set of solutions and to minimize the amount of permanent entitlement needed through the buy back
 - ii) buying water for the environment is one initial step in a set of complex, ongoing management solutions towards improving the health of the Murray Darling Basin's river systems. Buying the water certainly does not secure the outcome, but provides for a resource (when it rains enough to deliver allocations) that potentially (if releases are linked with other landscape-based initiatives, informed, targeted towards specific, measurable outcomes and monitored) can help deliver a defined outcome.
- 2) **Food for Australia and the world.** People in rural communities, irrigated agriculture & Australian grown food need to be preserved too – and even if Governments view rural community decline as an inevitable trend, the issue of food production and security is only going to increase in importance in a global environment of climate change, population growth and continuing international conflicts. The world's population has been increasing at a rate much faster than previously in the past two decades and at the same time Australia and many other countries have been reducing agricultural land by significant proportions. There needs to be Government objectives defined in consultation with communities for food production in Australia to enable consideration of these objectives alongside Government objectives for maintaining environmental assets and improving the health of the Basin. If there were other objectives to consider, there would be much more impetus to look at minimizing negative impacts of environmental initiatives trade-offs.

- 3) **No Regrets policy Undervalues the Opportunity Costs & Does Not deliver the Outcomes:** A no-regrets buy back policy is either ill-informed or showing a narrow, shortsighted view of issues and priorities facing Australia. It is saying to rural communities that there will be a huge entitlement of water now potentially available for the environment – for if and when Government work out how to use it, when it rains and if it is in the part of the Basin where it is needed. Then if there is irrigation, food and people living in these areas in 10 and 20 years time – well that’s an unplanned bonus... Purchase of any type of water for the environment needs to be outcome driven; rigor must be associated with objective setting and distribution of flows across the Murray Darling Basin is an obvious factor that needs to guide purchase decisions. There is a massive physical constraint to the nature of the Basin (ie: somewhere around 15% of Darling system flows made it to the Murray under natural conditions). There is fairly low connectivity between the systems and massive transmission losses so to ignore this point demonstrates hypocritically poor use of a valuable resource.
- 4) **Water must be treated as a scarce resource in how it is purchased and subsequently managed.** From the CMA’s perspective, the Federal Government needs to consider the environment in terms of landscapes and ecosystems – all connected, both in a physical sense and in terms of management – this means the current structure of environmental water management, with agencies and Environmental water holders operating in isolation to the CMA and Water Delivery Operators risks outcomes and wastes water. The CMA has been sidelined from environmental water by State agencies seeking the Federal dollar. The CMA is not intent on aiming to have control of environmental water in our catchments, but is concerned to have connectivity and efficiency in expenditure of public resources and to have the best hope of actually effecting the outcomes we are aiming for... **There will continue to be inefficiencies and actually less likelihood of outcomes being met while different aspects of our natural environment are managed in isolation.** We are seeing the lack of rigor or requirement and resources at State agency level to optimize the value of the small amounts of environmental water already in Government ownership; release decisions for the Environmental Contingency Allowance in the Gwydir have demonstrated poor governance with contradiction of stated annual planning objectives and disregard for known factors such as spreading water hyacinth, information that flow rates would over-bank prior to target areas etc. The no-regrets assumption that any release of environmental water, regardless of volume and timing, will do some benefit is not good enough for such a precious resource.
- 5) **Investment in irrigation efficiencies can be a win-win** Upgrading irrigation technology & reducing transmission losses on farm can yield 30 – 50% saving across the board just from a basic understanding of losses, and shifting from furrow to pivot to drip etc. Therefore it seems to be a question of whether the Government has the concern for or patience to rely more heavily on this investment to yield more of its permanent environmental water buy back. With respect to efficiency investment CMA’s are ideally placed to administer On-farm efficiency program and it would demonstrate a duplication and waste of resources not to use them. There is also the area of efficiency in storage and transmission throughout the Murray Darling System, with opportunities such as Menindee Lakes, that will yield substantial savings if managed efficiently.
- 6) **Conditional Leasing options have been proven to work yet are being ignored** Murrumbidgee CMA and Murrumbidgee Irrigation have worked in partnership to develop concept based on the ‘River Reach’ program – which has been designed to work in the southern-Basin rivers and as we understand it, enables opportunity for joint use of water for environment and agriculture, with the environment have priority access under specific conditions and triggers. These organizations feel they

have done everything they can to prove to Government that the concept works and the products are available – but there has been no interest from the Government. It seems to be a case of Government preferring the ease and simplicity of buying permanent water entitlement, without fully considering negative implications and possible alternatives.

- 7) **Permanent Entitlement Market Distortion** It appears that the Government is concerned only with the entitlement volumes it is purchasing, without considering that in low rainfall years, there is no physical water allocation attached to the water being purchased. Some enterprising agricultural companies are seeing the opportunity in selling low reliability water to the Government and then buying back more valuable, higher reliability water when it is available through the market. Therefore it is hard to understand why there is such urgency from Government to buy. Markets have been distorted as water prices have lost their connectivity with productive use / earning capacity per ML. This has the disastrous impact of pricing remaining irrigators out of the market. For instance if a remaining irrigator wants to buy a neighbour's farm and/or water, or buy in water to increase reliability or put minimum cropping area in during a drought, the limit to what he can pay is based on the earning capacity of the water. Whether Government enters the market as a bidder or uses tenders to acquire water, the problem is the same, while Government is a dominant or significant buyer in the water market, the price will be a function of what they are willing to pay, instead of what the productive value of water is.

In conclusion, it is a question of values and priorities in the short term as to whether the Government sees value in domestic food production, the future of rural irrigation communities and securing outcomes for the Murray darling Basin. However in the longer term the issues will become much clearer – and the Australian community will be asking the questions:

- Why was so much water wasted by Government – where are the outcomes for the environment – what were they trying to achieve?
- How did Australia become so dependent on important raw food products and the bigger questions of where is this food now coming from, how much will it cost and how many others in the world are now going hungry?
- Why didn't the Government foresee the catastrophic implications for so many rural communities and the social problems and financial costs of removing a chunk of the fundamental input of irrigated agriculture businesses?