

Submission to Productivity Commission on Rural Water Supply

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1. Background

a. I am a 76 year old professionally qualified accountant, who has been breeding Limousin and Brahmousin beef cattle for 26 years, 21 of which have been in the Tallowood Ridge area on the NSW mid-north coast hinterland (Dorrigo Plateau).

b. The property is of 270 acres which is the average sized property on the Plateau and comprises volcanic basalt soils with a clay under base. With the exception of the two recent droughts the average rainfall is 1625mm (65 ins), the majority being received between November and April. This supports between 120 to 160 head of cattle depending upon the season.

2. Water Resources

a. The water resources comprise the following:

- (i) Average rainfall of 1625 mm
- (ii) One bore put down in 2004
- (iii) 12 dams, of which I have put in 10 over past years
- (iv) Tinpot and Back Creeks, both originating tributaries of Wild Cattle Creek and the Nymboida River which joins the Clarence River and ultimately runs out to sea at Grafton.

b. Up until the two recent droughts, the last being of 4 years duration, neither Tinpot nor Back Creek had ever been known to run dry. The bore was put down also at the height of the last drought to supply reticulated water to 9 of the 16 paddocks. During the drought 6 of the 12 dams dried up completely.

3. Water Resource costs

a. In purchasing the property in 1985 the price per hectare reflected both the fertile nature of the soil and the normally heavy rainfall. The per hectare value of properties decreases rapidly commensurate with the rainfall decrease to the West of the Dorrigo Plateau.

b. The 10 additional dams were put in by me at my own expense. The bore and the reticulation system attracted a 50% initial government subsidy although the value of the subsidy was decreased because the ATO deemed it to be assessable income. None of the dams are on the two creeks, but they do prevent a proportion of the water runoff from rain reaching them. They also help to mitigate flooding in times of excessive rainfall.

4. Comments

a. My comments on the proposed Water Study by the Productivity Commission are therefore primarily based on my own experiences on the Monaro and the Dorrigo Plateau and that of the majority of the beef and dairy cattle producers in the Dorrigo area.

b. It needs to be understood that Primary Producers generally, and in particular beef cattle owners, are price takers, not price makers. Live weight prices of beef cattle can vary by as much as 50% during the course of a year. Therefore, due to price and weather fluctuations farmers have very little control over their revenue base. At the same time primary input costs such as wages, feed, fertilizer, seed, chemicals, veterinary fees, fencing supplies, rates, electricity, fuel, insurance and transport charges and administration expenses have continued to increase at a rate exceeding that of income. Where blood lines have been built up over years of breeding, for cattle breeders, as distinct from fatteners, they need to support their herds through droughts and this invariably means increased expenditure on feed and supplements.

c. Most rural property owners who partake in primary production are in the 60 - 80 year old bracket with very few young people coming into the industry. This is due to the long working hours, the capital required, the safety aspects and the fluctuating nature of the returns. Until recently I was working up to 10 hours per day, 350 days of a year and with only 2 holidays of 4 weeks each in a 26 year period. This is common with many primary producers.

d. It is not generally realised that food supplied to the general population is heavily subsidised by the farmer, after taking into account the prices received, the input costs and the working hours as compared to the majority of the working population. Additionally, primary production is a significant contributor to Australia's export earnings with no subsidies as to production costs. This is unlike most other countries (EU, Japan, USA, etc) where primary production is heavily subsidised, with significant restrictions on imports of Australian beef and other primary production.

e. Primary producers almost solely fund their own water resources. Because of the nature of the costs within the industry any charges for water, or restrictions on its use, would almost certainly detrimentally affect the viability of the industry and would force many to leave it.

f. It could be argued that because of some of the various factors previously mentioned, Australia should decrease its reliance on its own primary production and import its food, cotton and other requirements. Apart from the detrimental effect on our balance of payments, (which is already at a dangerously high level), Australia would then become very vulnerable in times of global conflict or where shortages of overseas supply occurs due to political or natural events. Classic examples are England in WW2 and the present day of supply of petroleum products being in the hands of unstable or unfriendly governments.

g. Those industries supplying services and goods to primary industry and rural towns dependent upon them would also suffer. Many of these employ a large number of workers, particularly in the transport industry. There would also be a commensurate decrease in the population of rural towns and villages and a corresponding increase in the population of cities and suburbia. This brings with it a significant increase in infra-structure demand, which could only be met by increasing imports, resource restrictions, and either increased taxation or diversion of expenditure on current demands, to infrastructure requirements.

h. Over the past two decades there has been little infra-structure expenditure on water storage facilities and management at local, State or Federal level. This is despite significant increases in population due to migration, nearly all of which is in cities and suburbia with

corresponding demands on water resources. The present level of restrictions in almost all of the states on water usage is evidence of this.

i. Having spent some time in Israel studying their water management and the operation of their National Water Carrier I am convinced that a very large increase in expenditure on new dams and water storage and reticulation facilities is needed. Israel and Australia are, apart from size, very similar in the quality and percentage of land available for primary production. The construction of tanks beside rivers which periodically flood, and their use for primary production, particularly in the Negav desert region is an illustration of what can be done given the will and foresight to utilise natural resources. (The term "tanks" is in the rural sense, meaning a very large earth and stone storage set in fairly level ground and close to a river or stream.)

j. At present Australia has a very small percentage of prime agricultural land in relation to its overall land mass and this is gradually being swallowed up by urban development or, in the case of rural areas, by buyers seeking a 'Sea change' who do not put the land to its best use but often prefer it to revert to its native state. These so-called conservationists are a bane to their neighbours as the area invariably becomes unusable through the unrestricted growth of thistles, blackberries, fireweed, Parramatta grass, tobacco bush and other pernicious weeds which migrate by wind and birds to the surrounding areas. To put this prime agricultural land asset to its best usage requires local and government controls to be written into, and enforced by, the relevant authorities.

k. There are instances where very much larger dams have been constructed by a landholder or a consortium of landholders, each with a right to draw water from this resource. While it may be argued that this could be a marketable right it is probably more equitable that this right be reflected in the value of the land and the price per hectare when sold.

l. When primary producers (such as rice, cotton and citrus growers) with very large holdings need to draw water from creeks and rivers for their water requirements the capital expenditure by governments should be accepted as a natural infrastructure development with only a minimum charge to landholders for the use of the water. Again, to this end, water holding facilities beside rivers and creeks should be built in order to catch flood flows which would otherwise go wastefully out to sea and/or create flood damage to centres of population along its route. Such flood control measures should be fully government funded.

m. Commonsense indicates that from an economic soil and water usage point of view, and both are interlinked, cities should ideally be situated on land that has no agricultural value, as the percentage of prime agricultural land is presently very small and decreasing.

5. Recommendations

In line with the previous comments it is recommended that:-


- (a) Rain falling on rural land should be the absolute property of the landholder and no restrictions should be placed on its use and no charges should be made for it.
- (b) That infrastructure expenditure by governments on water storage and reticulation should be immediately increased to a significant level to catch up on decades of

neglect

- (c) Bore water flows should be controlled to prevent excessive draw down of underground water storage.
- (d) Creeks and rivers be subject to control as to the quantity of water that can be safely drawn from them.
- (e) Present storage facilities by landholders should be permitted to remain, as insurance against droughts.
- (f) City and Suburban development be restricted to non-agricultural land, and the use of agricultural land by "Sea change" city and suburban migrants be prohibited.
- (g) Water flows should ideally be protected by pipes rather than open canals which can lose a considerable percentage due to evaporation. Such flows may be directed towards centres of population when it is surplus to agricultural needs.
- (h) A Federal Water Resources Commission be established, along the lines of the Snowy Mountain Scheme, to immediately identify possible dam and tank sites, water flows and reticulation and the implementation and building of such storage facilities. This should include investigation of water conservation strategies used in Israel by Mekorot, Israel's national water company.

6. Conclusion

I am happy to discuss any aspects of this submission with your Productivity Commission on Rural Water Supply.



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