



PGA Submission

on the

Productivity Commission Discussion Draft

On Rural Water Use and the Environment:

The Role of Market Mechanisms

14 July 2006

Background

The Pastoralists and Grazier's Association (PGA) is a non-profit industry organisation established in 1907, which represents primary producers in pastoral and agricultural regions in Western Australia. The PGA is the only Western Australian State Farmer Member of the National Farmers' Federation and participates in key industry and commodity groups. We have a strong membership from all facets of the broadacre agricultural industry, including farmers, pastoralists, graingrowers and sheep and cattle graziers. The PGA has a state-wide District Committee structure which enables grassroots input on all policy matters including industry funding, biosecurity, weed and pest management and industry development for our members in regional, rural and remote areas of Western Australia (WA).

Unbundling water entitlements from water use licences and approvals

The PGA is opposed to the separation of water entitlements from land titles in Western Australia. The majority of irrigation in this state is reliant on ground water rather than river flows as is the case in other states of Australia. The Department of Water has stated that it is likely if this separation occurs then some rural landholders will have no access to water resulting in a loss of land value and an inability to carry out an agricultural or horticultural enterprise. As the Commission is aware, the WA Constitution does not include the right to compensation for acts carried out by the Crown.

Improving the management of groundwater and surface water linkages

Scientifically based research should be carried out as a matter of priority to establish the linkages between the systems and ensure that water accounting systems address all the issues so all water resources are used in a sustainable manner. The National Water Initiative (NWI) identified the need for a national water accounting system that is transparent and comparable across jurisdictions. However this is of less relevance in WA as there is little inter state trade of water. In WA the water accounting system should ensure that all water use is monitored, the groundwater drawdown in the urban area is currently not being monitored.

Risk assignment and security of entitlements

The assignment of risk as set out by the NWI is acceptable to the PGA and we are pleased to note that the approach of varying the risk sharing formula, if all affected parties agree, will be considered acceptable.

The issue of security of entitlements is seen as a big problem by the PGA. At present the WA Government is considering setting up a 40 year rolling lease arrangement for water entitlements, similar to the rolling lease proposed for pastoral leases after 2015.

The PGA is opposed to this concept and requires a perpetual water entitlement be granted, thus enabling producers to use the entitlement as security when expending considerable money on infrastructure to carry out rural enterprises.

Water title arrangements

The PGA would support the adoption of a Torrens- based system in relation to water rights for the reasons set out by ACIL Tasman in their submission.

Subsidies for physical water use efficiency

The PGA is opposed to subsidies being provided to inefficient industrial and agricultural/horticultural enterprises as these subsidies could distort a market based approach to the effective use of water resources.

Taxation arrangements

The PGA has concerns with Managed Investment Schemes (MIS) where the focus is on minimising the taxation levels of investors, rather than production of a commodity. This has the potential to lead to overproduction of certain rural commodities and a subsequent reduction in price of the commodity. The present glut of wine in Australia has resulted from the application of these schemes.

Pastoralists & Graziers Association of Western Australia (Inc)

277 Great Eastern Highway BELMONT WA 6104 Ph 08 9479 4599 Fax 08 9277 7311

The role of environmental managers

The Discussion Paper sets out the role of environmental managers as being

- Manage environmental water provisions
- Trading water to meet environmental goals
- Prioritising environmental objectives and making appropriate tradeoffs
- Coordinating the implementation of mechanisms to help meet the objectives
- Providing environmental services, and coordinating and managing other environmental services providers
- Reporting on, and being accountable for, the performance of delivered environmental services

The PGA would be opposed to catchment management authorities, in WA's case our regional NRM groups, taking on this role. The groups do not have the expertise to undertake the task and would need to rely on consultants or agency staff to carry out the task.

Environmental changes and externalities associated with altered river flows

The PGA has concerns with the result of altered river flows brought about by the interception of water by on-farm and off farm dams. In some cases these flows have been diminished before the level of environmental water provisions has been determined. In some cases the on-farm dam storage is so large it has created an artificial lake thus altering the ecosystem in the area.

Sourcing water for environmental flows

The PGA believes that the use of a covenant, requiring water under entitlement to revert to an environmental manager or service provider under certain conditions, is an impediment to water trading and does not support the concept.

Salinity

The management of salinity is a large problem in Western Australia. Some engineering works have been carried out using arterial drains but the problem of disposal of the saline water is a complex issue. Some drains finish up in natural salt lakes, other divert the water into existing rivers raising the salinity level of the river. The level of salinity in the Blackwood River is reduced by an inflow of better quality water from the Yarragadee aquifer, but a proposal to drawdown on this source to supply water to Perth would result in the inflow ceasing. In the Collie Recovery Catchment, the first flush water from the East Branch of the Collie River is diverted into a mining void, the subsequent flows are allowed to flow down the river into the Wellington Dam. This project aims to reduce the level of salinity in the Wellington Dam to reach a level that is acceptable for use in irrigation.

The PGA notes that this paper addresses irrigation water rather than rural water use per se. In WA about 75% of the irrigated land is owned by self supply private diverter farmers who have developed their own water supply and delivery system at no cost to the State. These self supply farmers and the mining industry use approximately 50% of WA licensed water. These licensed rural water users and non irrigated agriculture unlicensed water uses should not be required to comply with the onerous and costly conditions of the rural water utilities in irrigation districts.