

**Rural Water Use and the Environment: The Role of Market  
Mechanisms**

**SUBMISSION**

**To**

**The Productivity Commission**

**Prepared by:-**

**Organisation:** The Western Australian Farmers  
Federation (Inc)

**President:** Mr Trevor De Landgraft

**Address:** Ground Floor  
28 Thorogood Street  
BURSWOOD WA 6100

**Postal Address:** PO Box 6291  
EAST PERTH WA 6892

**Phone:** 9486 2100

**Facsimile:** 9361 3544

**Email:** [andymcmillan@waff.org.au](mailto:andymcmillan@waff.org.au)

**Contact Name:** Andy McMillan

**Title:** Director of Policy

February 2006

## **Background**

The Western Australian Farmers Federation (Inc) (WAFarmers) is WA's largest and most influential rural lobby and service organisation.

WAFarmers represents West Australian farmers from a range of primary industries including grain growers, meat and wool producers, horticulturalists, dairy farmers and beekeepers. WAFarmers has recently expanded its membership base to incorporate rural small business owners.

It is estimated that collectively our members are major contributors to the \$6.3 billion gross value of production (ABS 2003/04) that agriculture in its various forms contributes to Western Australia's economy.

Additionally, through differing forms of land tenure, our members own, control and capably manage many millions of hectares of the State's land mass and as such are responsible for maintaining the productive capacity and environmental well being of that land.

## **Introduction**

WAFarmers is pleased to provide comment on the Productivity Commission's (the Commission) Research Study.

Water issues in Western Australia are currently at the forefront of WAFarmers lobbying activities with the State Government in the process of implementing major change across the irrigated agriculture sector.

WAFarmers has been prominent in the negotiations leading to the development of the State Water Strategy, the subsequent irrigation review and the current Water Forum providing input into the implementation of the recommendations emanating from the irrigation review.

Further detail on these processes is available, however, it is anticipated that the State Government will provide full details in its submission to the Research Study. Should this not be the case, please do not hesitate to contact WAFarmers.

In recent years, WAFarmers has completed numerous submissions on water policy issues, the most recent of which was to an Australian Senate Rural and Regional Affairs and Transport References Committee Inquiry into Water Policy Initiatives.

A copy of this submission is attached for the Commission's information.

## **National Water Initiative (NWI)**

The Western Australian Government remains outside of the NWI and WAFarmers is not aware of any indication that this situation will change in the immediate future.

WAFarmers is a signatory to a (April 2004) combined industry submission to the COAG senior officials group on water supporting the NWI. At the time the submission was undertaken, the State Government was procrastinating on water reform issues and the NWI provided a clear direction forward to address the "rights and responsibilities" issues that WAFarmers had been lobbying the State Government over.

Whilst still supportive of the NWI, WAFarmers remains of the view that there is more in the NWI for eastern states water users than for Western Australian water users. The State Government has also moved forward with its reform agenda and WAFarmers is actively involved in providing input into the Government's future directions.

The Government's current agenda is aligned with the directions taken by the NWI.

During 2005, Hon Gary Nairn MP, headed a delegation to convene a Water Summit in Western Australia. Presentations were made by industry and Government representatives on their respective requirements for water reform in the State and in his summary, Mr Nairn indicated that he believed that the State Government was well on the way to meeting the requirements of the NWI.

Whilst it remains a disappointment that the Federal/State stalemate over the NWI continues, the situation is typical of the Federal/State relationship across the board on joint funding issues and WAFarmers continues to work towards addressing these issues for the benefit of the States agricultural industries and their associated communities.

### **Market Mechanisms**

WAFarmers recognises the potential for market mechanisms to improve the economic efficiency of rural water use and this is an area being developed under the State Government's water reform agenda, however, at this point in time the finer detail is yet to be determined.

WAFarmers does have concerns in relation to the potential for speculation in water trading outside of agricultural usage and the purely economic definition of water use efficiency to be adopted by the Productivity Commission.

### **Future consultation**

The timing of the Research Study is unfortunate from a WAFarmers point of view.

The early development stage of the State Government's agenda and the traditional farmer holiday period over the New Year and into January has not been conducive to the development of a detailed submission.

However, over the next month, WAFarmers zone network, commodity councils and Executive will meet individually and collectively to determine priorities for 2006 and update policies. As previously mentioned, Water Reform is a key priority for WAFarmers.

Past experience with Commission inquires and studies has been that public hearings are convened to follow up on submissions and to this end WAFarmers looks forward to attending a hearing in Perth.

Advice of the Commission's study, in particular the questions posed under *Requests for information*, has been forwarded to key WAFarmers representatives and their attendance at a forthcoming public hearing will ensure that the Commission's representatives will be fully briefed on the issues of major concern to WAFarmers members.

.....END.....



# **Inquiry into Water Policy Initiatives**

## **SUBMISSION**

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**Australian Senate  
Rural and Regional Affairs and Transport References  
Committee**

**Prepared by:-**

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**November 2005**

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## **Introduction**

WAFarmers welcomes the opportunity to provide comment on the Australian Senate Rural and Regional Affairs and Transport References Committee's Inquiry into Water Policy Initiatives.

WAFarmers submission will address the terms of reference individually and detail the key directions emanating from the report of the State Water Strategy Irrigation Review Final Report which the State Government has responded to and commenced implementation thereof.

WAFarmers submission to the State Water Strategy Irrigation Review is attached for the information of the Senate Committee.

WAFarmers supports the Irrigation Review key directions as a package to be implemented simultaneously.

It is noted that the Senate Committee *is interested in exploring the state and territories policies underpinning the National Water Initiative (NWI)*.

The Western Australian Government is not currently a signatory to the NWI. However the State Government's response to the Irrigation Review, whilst not definitive policy, does set the direction for management of the State's water resources to be allocated for irrigation purposes.

Prior to the Irrigation Review outcomes and Government response, WAFarmers was a co-signatory to a joint stakeholder submission which endorsed the principles of the NWI.

On 21 September 2005, Hon Gary Nairn MP, Parliamentary Secretary to the Prime Minister convened a Western Australia Water Roundtable *to discuss water reform issues and opportunities under the Federal Government's Australian Water Fund*.

At the conclusion of the Roundtable, Hon Gary Nairn in his summary indicated that from what he had heard, the State Government's proposed policies to address water issues within the State fitted comfortably within the parameters of the Commonwealth/State Agreement underpinning the NWI.

It is WAFarmers understanding that at a subsequent meeting with State Government officials no agreement was reached in relation to progressing WA's commitment to the NWI. WAFarmers regrets that a favourable outcome was not achieved.

WAFarmers position is quite simply that it wants the best deal for irrigators and rural water users in WA. Whether this is achieved under the NWI or through the implementation of the State Irrigation Review outcomes is of little consequence.

What is of considerable frustration to WAFarmers members is the continued inability of Federal and State Governments to work together to deliver meaningful outcomes to the States agricultural industries and their related communities. This impasse has been evident across a wide range of issues from Natural Resource Management to Transport programs.

#### ToR 1 The development of water property titles

The provision of security of tenure in relation to water entitlements is the most important issue to WAFarmers members. The current short term licensing system is untenable, particularly in relation to forward planning, investment confidence and the ability to secure long term finance.

Perpetual water licenses are the preferred option in this regard and whilst the NWI refers to them, delivery is proposed to be well into the future.

The State Government proposal for 25 – 40 year rolling licenses is seen as a positive move forward but does not go far enough.

WAFarmers focus in negotiating outcomes in relation to water issues is on "rights and responsibilities" being addressed simultaneously.

If a farmer has a "right" (perpetual water license) he/she will be far more amenable to accepting "responsibilities" attached to that right. Conversely, a farmer will resist the imposition of "responsibilities" if the "right" doesn't exist.

For example, the delayed access to perpetual water licenses under the NWI whilst the National Competition Policy (NCP) principle of full cost recovery pricing is pursued is inequitable. Likewise the State Government's timetable for implementation of the Irrigation Review outcomes requires some adjustment.

Issues with the State Government process will be taken up at the inaugural meeting of a stakeholder water forum in mid-December.

NCP, however, is another issue for another submission. WAFarmers believes that NCP discriminates against primary producers. In this instance, full cost recovery impacts on farmers, who as price takers, are unable to pass on these costs to their markets thereby further reducing already tight margins.

*Irrigation Review Key Direction 3 refers*

*Irrigation Review Key Direction 7 refers*

*Irrigation Review Key Direction 8 refers*

*Irrigation Review Key Direction 9 refers*

## ToR 2 Methods of protection for rivers and aquifers

WAFarmers has recently completed a submission to a State Government *Investigation of financial disincentives to conservation*.

WAFarmers made the following points in our submission. Whilst the submission focused on land management as opposed to water management, the comments remain pertinent.

- The general perception of WAFarmers members on the greatest disincentive to conservation is that there are no incentives.
- WAFarmers does not support environmental vandalism
- Farmers are responsible land managers, proud of their management of on farm environment including the protection and conservation of biodiversity values.
- Increasing calls for improved conservation and biodiversity management in the name of public good are quite justifiably met with skepticism by the farming community as these calls rarely if ever acknowledge current sound management practices.
- Substantial financial resources and better information are required to ensure that landowners participation in this process is encouraged and not coerced.
- Until such time as realistic provision for equity adjustment (compensation) is made available for loss of potential or real productive capacity on freehold land in the name of public good, current minimal financial measures will not achieve the outcomes sought by any number of Government conservation strategies.

WAFarmers is hopeful that as the State's NRM groups develop that the issue of conservation incentives is addressed through the NAP and NHT programs.

*Irrigation Review Key Direction 1 refers*  
*Irrigation Review Key Direction 3 refers*  
*Irrigation Review Key Direction 5 refers*  
*Irrigation Review Key Direction 6 refers*  
*Irrigation Review Key Direction 7 refers*  
*Irrigation Review Key Direction 9 refers*

## ToR 3 Farming innovation

Western Australian farmers pride themselves on their innovation and at the farm level, in an economic environment of ever tightening margins, are required to maintain a high level of innovation.

The most impressive example of water conservation innovation in rural WA is the Harvey Water scheme whereby open drain irrigation of farms has been replaced with piping. Water savings through the elimination of evaporation have been considerable and have recently been traded to the Water Corporation to bolster Perth's supplies.

*Irrigation Review Key Direction 4 refers*  
*Irrigation Review Key Direction 5 refers*  
*Irrigation Review Key Direction 6 refers*  
*Irrigation Review Key Direction 7 refers*  
*Irrigation Review Key Direction 8 refers*



#### ToR 4 Monitoring drought and predicting farm water demand

To date, monitoring drought and predicting farm water demand is largely done on an ad hoc basis. This situation is expected to change with the implementation of the State Irrigation review recommendations and in the broadacre agriculture regions through a recently completed review of the Western Australian Rural water Plan.

*Irrigation Review Key Direction 1 refers  
Irrigation Review Key Direction 2 refers  
Irrigation Review Key Direction 3 refers  
Irrigation Review Key Direction 5 refers  
Irrigation Review Key Direction 6 refers  
Irrigation Review Key Direction 7 refers  
Irrigation Review Key Direction 8 refers*

#### ToR 5 The implications for agriculture of predicted changes in patterns of precipitation and temperature

WAFarmers has tried with limited success to promote the concept of climate change to our members.

It is recognised that the South West of Western Australia has been identified as a “hot spot” for the environmental impacts of climate change, however, it has proven difficult to promote the concept of computer modeling for the future in the face of actual meteorological records showing minimal changes to rainfall in many regional areas over recent times.

*Irrigation Review Key Direction 2 refers  
Irrigation Review Key Direction 3 refers  
Irrigation Review Key Direction 5 refers  
Irrigation Review Key Direction 6 refers*

### **State Water Strategy Irrigation Review Final Report**

#### Key Direction 1 Create a new Ministry for Water Resources and a Department of Water Resources

*The Steering Committee is pleased that its final recommendation has been partially implemented by the State Government’s recent decision to appoint a Minister for water Resources with responsibilities for water resource management, water policy, strategy and planning and water utilities. The Steering Committee also recognizes the fact that the Premier is the new Minister for Water Resources and sees this as an indication of the importance being placed on the need for water reform.*

Prior to the creation of the new Water agency, water management etc was undertaken by the Department of Environment.

The new agency gives water management an “identity” in the Government framework and will provide for transparency and accountability in its decision making process.

## Key Direction 2      Devise a strategic plan for water

*Although there is a State Water Strategy, at present Western Australia has no long-term overall strategic plan for water resource management. The Steering Committee sees the creation of increased capability to carry out strategic water planning as an urgent priority. A State Water Plan would evaluate the likely demands and management options for each sector of water use across the State and provide a holistic and integrated plan.*

This strategic plan will need to recognise regional and geographic differences within the State in addition to sector usage.

This also reflects a common concern within WA in relation to Federal programs. Inevitably, the managers of these programs attempt to implement them with a “one hat fits all approach” across Australia.

This approach will not work in WA with State based programs due to variations between regions across the State.

National recognition that WA is in fact different to the eastern states because of the size of its land mass would assist in Federal/State relationships.

## Key Direction 3      Change Water Entitlement System

*Water entitlements should be issued as a share of the resource available for use and be granted in perpetuity. Entitlements to access water should be separated from the approval to use water on specific land. All new water allocations should be issued at market rates. Where allocations are reduced, compensation should be payable provided such reductions do not result directly from climate change. The policies of linking allocations to a particular use and “use it or lose it” should be abandoned. The new water entitlement system should be similar to a Torrens Title system that gives title owners and license holders the ability to register their interests.*

The State Government has responded to this direction by proposing for 25 – 40 year rolling licenses. Whilst this is seen as a positive move forward it does not go far enough. Perpetual licenses remain the focus of industry negotiations.

## Key Direction 4      Integrate Land and Water Planning

*Areas suitable for future irrigated agriculture need to be identified through more strategic and integrated land and water resource planning.....These will provide long-term certainty, benefit farmers and the State, provide a basis for investment in water recycling and separate agricultural from residential areas. Current planning policies support the identification and establishment of horticultural precincts, however, existing planning practices do not reflect these policies.*

Urban encroachment into traditional agricultural areas has become a significant problem in WA.

## Key Direction 5      Increase self-management

*Opportunities and mechanisms for extending the self-management of water resources in areas of high-density irrigated agriculture should be investigated. The creation of irrigation co-operatives appears to have greatly improved the prospects for efficient water resource management as well as benefiting irrigators in each of the four irrigation areas.*

Regional ownership of water management will increase industry acceptance of proposed changes and lead to increased industry involvement in the management process.

#### Key Direction 6 Invest in Water Use Efficiency

*There should be immediate investment in piping the South West Irrigation Area to reduce water distribution losses and make water available to the Integrated Water Supply Scheme (Perth). Government should also examine and where appropriate, invest in opportunities to reduce distribution losses in other irrigated agriculture systems.*

Efficiency is encouraged through incentives. Under the State's Water Strategy, domestic consumers are able to take advantage of numerous financial incentives to adopt water saving measures from shower heads to domestic bores. Irrigators have not been offered any incentive to change current practices. This inequity should be rectified.

This direction is fundamental to the State's water future. Knee jerk approaches to resolving Perth's water shortages by proposing the extraction of water from alternative aquifers (South West Yarragadee) with inadequate consideration of economic, environmental and social impacts on one of the State's fastest growing regions is unacceptable.

Implementation and ongoing research into desalination, grey water reuse and catchment thinning are examples of alternative options that will deliver benefits to the whole of WA.

#### Key Direction 7 Implement metering

*All irrigation usage above 5 megalitres per year (or such amount determined by the regulator from time to time) should be metered. Information about each individual's usage, together with usage patterns in the irrigation area should be made available online. The near absence of compulsory metering is a serious shortcoming in the State's water resource management process.*

#### Key Direction 8 Facilitate water trading

*The current water trading policy should be withdrawn. A new package of initiatives should be established to include perpetual licenses, separation of water allocations from land use, the separation of the "right to take" from the "right to use", the implementation of water trading systems and the preparation of water resource management plans.*

Water trading should preclude speculation to ensure that allocations for agriculture are preserved.

#### Key Direction 9 Introduce Water Resource Management Charges

*The Steering Committee supports the introduction of water resource management charges that recover the share of management costs attributable to water users. The public should fund that proportion of water resource costs associated with public benefits including environmental protection. The basis of charging must be transparent and the money raised should be used for agreed purposes. The first step should be to recover costs associated with licensing and compliance.*

Water Resource Management Charges must be negotiated. They cannot be volumetric and must take into account on farm investment in infrastructure and the fact that farmers are price takers and unable to pass costs on to the supply chain. Licensing fees must be tied to perpetual water licenses and funds raised quarantined for reinvestment for industry purposes e.g. research & development.

**Conclusion**

It has been WAFarmers experience that past Australian Senate Reference Committee Inquiries have been followed up by public hearings. WAFarmers would welcome the opportunity of appearing before the Committee to give evidence in support of this submission and encourages the Committee to pursue this option.

.....END.....