

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 \$6.1 billion gross value of production (WA Agri-Food Industry Outlook – April 2006) 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 Rural Water User and the Environment: The Role of Market Mechanisms discussion draft.

Water reform in Western Australia has progressed significantly since WAFarmers earlier submission (No. 15 of 6/02/06).

There are however, once again some timing issues associated with the timelines for submissions. The Federal Government's 6 month timeline and 2 month extension is unreasonable. Despite earlier Commission advice and release of an issues paper, upon receipt of the draft discussion document on 19th June, a 16 day turnaround for consideration of a 252 page document with submissions to be completed by 5th July is also considered unreasonable. This situation is compounded by the ongoing demands placed on WAFarmers resources in participating in the water reform process currently being undertaken by the State Government which is about to release a *Draft Blueprint for Water Reform in Western Australia* which will propose directions in water reform areas of;

- Enhancing the water entitlements system
- Facilitating water trading
- Implementing water metering
- Recovering water resource management costs
- Land and water planning to provide longer term protection for agricultural land
- Increasing self management
- Investing in water use efficiency

These papers will incorporate all the preliminary work undertaken by the State Water Forum of which WAFarmers has been an active member and provide clear indications of the State Governments intent in fulfilling its obligations under the National Water Initiative (NWI).

An advertisement in today's (5.07.06) press advises of the release of the draft blueprint document, which can be accessed at www.water.wa.gov.au WAFarmers is yet to access the document.

WAFarmers will be interested in the State Government's response to the Commission's discussion draft.

Nevertheless, it is noted that the Terms of Reference of the Commission's Inquiry recognise WA's recent signing on to the NWI. Given the State Government's recent commitment to the NWI, WAFarmers urges the Commission to ensure that its research study is not limited to Eastern States issues and that due recognition is given to Western Australian water management issues which are clearly different to the Murray Darling basin, to cite an example.

It is a common call from Western Australia that "one hat fits all" Federal initiatives do not fit Western Australia and generally there is a firm basis for this call. Water resource management is one such issue.

Current Position

Western Australia is fortunate in that it is not faced with the over allocation problems being experienced in the Eastern States. Accordingly, water trading is undertaken in a limited capacity in the State due to demand not being close to the sustainable limit of aquifers and other groundwater supplies.

That said, however, as part of the Government's water reform program, considerable investment is to be made into obtaining a more accurate measure of aquifer capacity and groundwater usage across the State to ensure that problems existent in the Eastern States are avoided in WA.

In relation to water markets and trading, the State Government's *State Water Plan – Draft Water Policy Framework* www.statewaterstrategy.wa.gov.au stated objective is

"Market rules for an efficient water trading market will be developed to promote a healthy economy and reduce the risk of over-allocation."

In explanation, the document purports that

"It is proposed that water allocations be separated from access to land or title. This will enhance security and facilitate trading.

As the development and use of a water resource increases, so does the knowledge base of that resource. This allows for increasing certainty with respect to sustainable use.

Efficient water trading markets are facilitated by ease of access to water markets, shared catchments, aquifers or infrastructure, higher value uses, minimal transaction costs and the publication of relevant information. Demonstrated efficiency gains could be available to trade.

In considering transfers, local needs and impacts should be assessed taking into account social, environmental and economic values and benefits."

WAFarmers supports the broad thrust of the State Government's water market and trading agenda and looks forward to negotiating the finer detail of the market rules for incorporating provisions to prevent speculation in water markets and trading.

It must be said however, that some concern exists over the proposed separation of water allocations from land title and considerable discussion is expected to take place over the merits of this proposal.

Property Rights

WAFarmers welcomes the Commission's approach to property rights contained in the discussion paper. In its negotiations with the State Government on water reform, WAFarmers has consistently promoted the recognition of water users "rights and responsibilities" in relation to water reform.

WAFarmers position includes the BWI principle of the allocation of perpetual licenses for water users, an issue that the State Government has not addressed.

Risk Sharing

As highlighted in the Commission's discussion draft, risk sharing is a major issue in relation to uncertainty regarding water entitlements and one in which WAFarmers will be looking to the State Government to adopt a negotiated framework consistent with NWI principles yet ensuring equity across the economic, environmental and social principles of sustainability.

Government Policies

WAFarmers notes comments made in the Commission's discussion draft in relation to subsidies for physical water use efficiency.

As a component of its water reform program, the State Government introduced subsidies for general public water saving measures e.g. water efficient washing machines, domestic bores and rainwater tanks, however, whilst identifying agriculture as a major water user, is yet to fully acknowledge efficiency changes being made by rural water users and provide incentives to increase the uptake of water efficient practices.

WAFarmers looks forward to this issue being addressed in blueprint document.

Federal taxation policies also have a role to play in encouraging water use efficiencies and examples quoted in the Commission's discussion draft of managed investment schemes are pertinent in Western Australia. Despite the Commission's comment that addressing this issue is beyond the scope of this study, taxation incentives for farmers to adopt more efficient irrigation practices would assist to overcome the considerable capital cost of doing so.

Costs

NWI principles of full cost recovery and allocation to highest value usage concern WAFarmers as farmers are price takers in the market place and unable to pass on these proposed costs. Whilst licensing costs are generally accepted (in conjunction with simultaneous delivery of "rights and responsibilities"), volumetric costs will be strongly opposed if the farmers inability to pass on these costs is not fully taken into consideration.

Recognition also needs to be given to the significant level of capital investment undertaken by irrigators in establishing their infrastructure.

Conclusion

As previously mentioned, the timeline for submissions on the Commission's discussion draft have not permitted a thorough analysis of the detail and findings contained therein.

The imminent release of the State Government's *Draft Blueprint for Water Reform in Western Australia* will also impact on WAFarmers views of the Commission's discussion draft.

Accordingly, it is recommended that prior to the finalisation of the Commission's report that if a public hearing is not to be convened in WA, that a teleconference be convened with Commission and WAFarmers representatives to enable further input into the Commission's research study following the opportunity to consider the State Government's documents.

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