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House of Representatives Standing Committee on Agriculture and Water Resources

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To whom it may concern,

Inquiry into Water Use Efficiency

Coleambally Irrigation Co-operative Limited (CICL)¹ welcomes the above inquiry as it believes future Government investment in water use efficiency, at least in NSW, needs to be channelled in new directions.

CICL has been an active, albeit sometimes reluctant, participant in national water initiatives, including water reform, from the time it ceased to be state-owned in 2000. The modernisation of CICL's infrastructure and that of its Members, to the point where it now attracts international attention, has been funded by the return of water to the environment through the following Government programs:

- WaterSmart Australia
- Water4 Rivers
- Private Irrigation Infrastructure Operators' Program
- On-Farm Irrigation Efficiency Program

CICL's description of it being an active, albeit sometimes reluctant, participant in water recovery programs reflects the fact that participation in these programs has been associated with a degree of moral dilemma - CICL recognised that while it and its Members might benefit from surrendering some water entitlement to undertake modernisation, the associated benefits might not extend to local businesses and the community. CICL also understood that with each successive tranche of water surrendered, there would be an associated impact on the prices demanded in both the permanent and temporary water markets. In the end, CICL's and its Members' participation in the above programs reflected a belief that in the absence of these programs, Government would revert to buyback or the resumption of licences.

CICL is aware that some so-called expert bodies and commentators (almost always based in capital cities) contend that water recovery programs like those mentioned are inefficient and that "market-

¹ CICL is an irrigator-owned Irrigation Infrastructure Operator based in the Riverina region of NSW Riverina. CICL provides irrigation and drainage services to its Members over 450,000 ha via 1300km of supply channels and drains and is widely regarded as Australia's leading exponent of open-channel irrigation.

based solutions” should be preferred – pleasingly, that euphemism is now widely understood to be nothing other than buyback. Those who push for a reversion to buyback generally ignore the social and economic costs that accrue from this approach – where there is an occasional reference to the need for some form of structural adjustment, it never includes comment on the form or cost of the adjustment.

CICL submits that the investment that has occurred to date through programs like PIOP and OFIEF has been efficient in terms of water recovery and been the most realistic form of structural adjustment that could have been made by the Commonwealth. That said, CICL also submits that the cumulative effects of buyback and modernisation programs, like PIOP and OFIEF, is now such that these forms of water recovery should cease.

The MDBA’s Northern Basin Review, and recently-completed studies commissioned by the NSW and Victorian Governments, strongly suggest that the social and economic impacts of the Basin Plan have been greater than the Commonwealth had anticipated and that ‘tipping points’ both at industry and community levels have been, and are being, breached. Coleambally’s modernisation journey since 1999 has seen the low and middle-hanging fruit (water savings) well and truly picked – the cost of further gain in Coleambally will be prohibitively high in economic and social terms.

Some Coleambally farmers have already reached the point where they have overcapitalised on their farms – further investment in on-farm modernisation in the area will be at the risk of seeing more farmers reach that point. In the same vein, the laws of supply and demand dictate that further water recovery from irrigation districts will inevitably increase prices on the temporary water market. While those intent on such recovery will contend will merely see water going to “higher value” uses, such contention is simplistic.

Many irrigators within the Basin operate with general security/low reliability water and they accept that there will be years when their water allocations will be insufficient and prices on the temporary water market will be too high to crop. They also know that some years there will be a surfeit of water and prices on the temporary market will be lowered (and this is when general security irrigators crop to the maximum extent possible). However, in between these two extremes are the average seasons where general security irrigators look to the temporary market to supplement average water allocations.

The continuation of water recovery programs focused on the irrigation sector bring the prospect that in a 10 year cycle for example, rather than croppers and dairy farmers being confronted with 1-2 years with limited or no production, 4-5 years at normal levels of production and 2-3 years at expanded levels, those same irrigators will find themselves in a cycle in which they will only be able to operate during the 2-3 years where water is plentiful and temporary water prices are commensurately lower – quite simply, the price of temporary water will be beyond their reach at all other times. The stark reality is that few general security irrigators would survive such a business cycle.

CICL submits that at a time when the Commonwealth’s administration of programs like PIOP and OFIEF is at its best, their continuation will put the temporary water market out of reach of general security irrigators which, in turn, will see reduced demand for supply from irrigation infrastructure operators. Perversely, the continuation of Commonwealth’s expenditure to recover water from

farms will undermine the Commonwealth's investment in the modernisation of CICL's irrigation system.

In conclusion, CICL submits that the Commonwealth's recovery of water through investment to bring about improved water efficiency within irrigation corporations and on-farm was both efficient and entirely rational, but that a continuation of the approach will not be. If the Commonwealth is intent on continuing to invest in water efficiency, it should now shift its focus to bringing about improvements in river management and complementary measures that promote river health.

Yours sincerely,

John Culleton
CEO CICL