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SUBMISSION

to

THE SENATE STANDING COMMITTEE ON ENVIRONMENT AND COMMUNICATIONS

on

THE WATER AMENDMENT (PURCHASE LIMIT REPEAL) BILL 2019

February 2019



Introduction

The NSW Irrigators' Council (NSWIC) is the peak body representing irrigation farmers and the irrigation farming industry in NSW. Our Members include valley water user associations, food and fibre groups, irrigation corporations and commodity groups from the rice, cotton, dairy and horticultural industries. Through our members, NSWIC represents over 12,000 water access licence holders in NSW who access regulated, unregulated and groundwater systems.

NSWIC engages in advocacy and policy development on behalf of the irrigation farming sector. As an apolitical entity, the Council provides advice to all stakeholders and decision makers.

Irrigation farmers are stewards of tremendous local, operational and practical knowledge in water management. With over 12,000 irrigation farmers in NSW, there is a wealth of knowledge available. To best utilise this knowledge requires participatory decision making and extensive consultation to ensure this knowledge can be incorporated into best-practice, evidence-based policy. NSWIC and our Members are a valuable way for Governments and agencies to access this knowledge.

NSWIC welcomes this public exhibition as an opportunity to share local, practical and operational knowledge and expertise in water management. NSWIC offers the expertise from our network of irrigation farmers and organisations on an ongoing basis to ensure water management is practical, community-minded and follows participatory process.

This submission represents the views of the Members of NSWIC with respect to the *Water Amendment (Purchase Limit Repeal) Bill 2019*. Each member reserves the right to independent policy on issues that directly relate to their areas of operation, expertise or any other issues that they deem relevant.



Background

The *Water Amendment (Purchase Limit Repeal) Bill 2019* (the Bill) proposes to amend the *Water Act 2007* (the Act) to repeal the statutory limit of 1,500 gigalitres on Commonwealth purchases of surface water across the Murray-Darling Basin (Division 5 of Part 2).

Overview

NSWIC does not support this Bill.

There is no imperative to repeal this statutory limit; yet, there are many risks involved in doing so. Foremost, this Bill would result in serious instability for rural communities.

The statutory limit of 1,500 gigalitres was introduced because it was acknowledged by both sides of politics – and again further evidenced by the MDBA, the Productivity Commission and South Australia’s Royal Commission – that the loss of water and the resulting reduction in food/fibre production causes social and economic destruction in rural communities.

It is widely accepted that buyback removes productive water from a region and the associated productivity as opposed to infrastructure programs that are designed to maintain or improve productivity while recovering water for the environment. Therefore, the impact of water removal through buyback is more significant. This has been evidenced through economic reviews conducted by the dairy industry as well as the work mentioned above.

It is a core value of NSWIC that any policy must be evidence-based. This Bill is based on assumptions of future needs that may or may not be realised. It is inappropriate to alter legislation based on preconceived assumptions.



Submission

Regional communities require certainty

There is currently no imperative for this Bill. The cap of 1,500GL has not yet been met so there is still capacity for buyback. Further, the required reviews into the Basin Plan and supply measure outcomes are years away.

The fundamental principle of this Bill is an uncertain “*if*”, which is justified by the need to have more options (more uncertainty). For example

“Removing the limit will mean that if a review of the Murray-Darling Basin Plan, or of the 605 gegalitre ‘supply projects’, demonstrates the need for more water purchases then there is no legislative barrier to being able to achieve that policy.”¹

And further:

“as many options as possible are required to restore the system to health. Removing the cap on buybacks adds this option should it be required.”²

What water users require now is certainty, not more options. To date, it has not been found that more water is needed through buybacks to restore the system to health. There is inherent risk in opening up more options, as the market becomes destabilised through uncertainty, and rural communities face insecurity of jobs and productivity.

This Bill ignores the very reason why the statutory limit was brought in – to protect the productive capacity of rural communities during water recovery. The need to protect rural communities has not changed, if anything, it has become more important.

Farmers and rural communities are currently facing a devastating drought. When water security is already at a critical point, the removal of a safety net which could further jeopardise water security for farmers is insensitive and inappropriate. NSWIC continues to be concerned for the welfare and mental health of farmers and rural communities in NSW, and the removal of the cap on buybacks would certainly add further pressure.

Indirect Financial Impacts

The financial impact statement indicates that there is no immediate or direct financial impact of this Bill as the Murray Darling Basin Plan is an already announced budget measure, funded through prior financial years. Whilst this is accurate, the indirect impacts of the Bill, if further buybacks occurred, should also be considered. Specifically, the opportunity cost of the lost production would be substantial given the gross value of irrigated agricultural production in 2015-16 was \$15.0 billion. This is more in one year, than the total cost of the Basin Plan.

Consideration must also be given to the market impacts of this Bill. There is evidence of the impact of Government tenders on market prices³. This shows that when the Government enters the market, prices of permanent entitlements spike which impacts the ability of others

¹ The Water Amendment (Purchase Limit Repeal) Bill 2019, Explanatory Memorandum, p. 1

² The Water Amendment (Purchase Limit Repeal) Bill 2019, Explanatory Memorandum, p. 1

³ E.g. Murray Irrigation Limited (2011) *Supplementary submission to the Standing Committee on Regional Australia Inquiry into the Impact of the Murray Darling Basin Plan*, p.4



to participate in the market. Further, the low hanging fruit with regards to water recovery has gone. The impacts on the market and communities now means there is increased implied value on entitlements and farmers would expect the Government to again pay above market rates to make the removal of water from the productive pool worthwhile. This would be costly.

It must also be recognised that despite buybacks being voluntary, the current serious drought means that sellers will be distressed sellers, rather than willing sellers.

The indirect financial impacts also include the social welfare costs given it has been shown that water buybacks cause job losses in regional communities. An increase in regional unemployment would lead to increased reliance on social welfare.

A Socio-Economic Impact Assessment is required if this Bill proceeds

A Socio-Economic Impact Assessment (SEIA) must be conducted if this Bill is to proceed.

There have been numerous studies conducted into socio-economic impacts of water recovery, which have found that the negative impacts are heightened by the quantum of water recovery⁴. Specifically, the Productivity Commission (2019) found that: “The size and speed of water purchases has had negative socioeconomic impacts on some regional communities” (Finding 3.3).⁵

Under alternative forms of water recovery (e.g. efficiency measures), projects are required under the *Basin Plan 2012 (Cth)* to have neutral or positive social and economic impacts. In December 2018, the Murray-Darling Basin Ministerial Council agreed to the additional criteria for the Murray-Darling Basin Water Infrastructure Program.

If alternative forms of water recovery require socio-economic neutrality, and are subject to a robust criterion, then this form of water recovery should receive equal assessment. NSWIC does not support any form of water recovery which does not include a SEIA at the minimum. NSWIC also encourages the findings from the SEIA to be published in a Rural Communities Impact Statement so that they are clearly communicated.

NSWIC is currently developing a framework to guide SEIA.

Reactionary policy is short-sighted and insufficient

Given the significant socio-economic impacts of water recovery for farmers and rural communities, which is widely documented, all other opportunities must be fully explored and implemented before a return to buybacks is even considered.

NSWIC believes this Bill has been put forward in response to recent media events. NSWIC views this Bill as a ‘quick fix’ solution, which would not fix the issues that have arisen due to management of the system, such as the Menindee fish deaths. Our river systems, farmers and communities deserve long-term, strategic and evidence-based policy.

⁴ For example, see Murray-Darling Basin Authority, “Social and economic analysis”, available at: <https://www.mdba.gov.au/publications/archived-information/basin-plan-archives/socio-economic-analysis>

⁵ Australian Government Productivity Commission (2019) *Murray-Darling Basin Plan: Five-year assessment*, Inquiry Report. Available at: <https://www.pc.gov.au/inquiries/completed/basin-plan/report>



Conclusion

NSWIC does not support this Bill and encourages the Committee to identify other opportunities to achieve environmental objectives without risking social and economic objectives.

We believe this Bill is premature at best and presumes future outcomes that may not be realised.

This Bill cannot be supported due to the serious risks to farmers and rural communities, and the welfare concerns arising from the anxiety of the removal of a safety net.

Kind Regards,

NSW Irrigators' Council.