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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON
AGRICULTURE, FISHERIES
AND FORESTRY

TERMS OF REFERENCE

Kalfresh is a large vegetable packer situated in the Fassifern Valley in South East Queensland. Much of our production draws water supplied from Lake Moogerah, part of the Warrill Valley Irrigation Scheme.

Kalfresh facilitates the production of around 600 ha of fresh vegetables annually yielding 16 000 tonnes of product. Turnover exceeds \$8 M. Our payroll exceeding \$1.3M on occasion. Staff numbers exceeding 80.

Kalfresh draws product from 12 growers situated in the Fassifern, Lockyer and on the Southern Darling Downs.

Commonly thirty percent of product is exported to Middle Eastern, Asian and South Pacific destinations, making Kalfresh the largest carrot exporter on the eastern seaboard, and one of the largest vegetable exporters in the country.

As a large stakeholder in the production, community and economy of regional South East Queensland, the growers, directors, management and staff of Kalfresh endorse the following submission to the Inquiry into Future Water Supplies for Australia's Rural Industries and Communities.

EXECUTIVE SUMMARY AND CONTENTS.

Introduction

How CoAG reforms are stifling rural areas and oppressing rural business.

1. Dams never Constructed for Profit.

Public owned irrigation schemes were implemented for the good and prosperity of the region in which they are located, and in turn the wider economy. It is difficult to take a project never intended for profit and force it to become profitable without considerable and undue pain on the community where it exists.

2. Farmers in Competing Industries.

Rural producers operate in the most competitive and open markets in the world. For Australian suppliers to remain relevant to the world marketplace we must be able to control costs. Given that many competing nations pay very little for state owned infrastructure, our price hikes for water under water reform are poorly advised and detrimental to our international standing.

3. Government Corporations – Who Are They?

State owned water infrastructure is now managed by corporations of which the State Government is the only shareholder. This arrangement has caused many problems for irrigators notwithstanding their lack of consultation and contempt for irrigators. The outcomes of this process have been deplorable and have left irrigators feeling isolated and angry as the water reform agenda unfolds.

4. Social and Moral Issues.

As the state Government has removed itself from the management of schemes so to has all manner of concern for the community as the negatives of water reform become apparent. There is no longer accountability to the community at large or equitability for water users, as the water corporations have no charter for social or moral issues. The Government then hides behind legislation it enacted.

5. Management of State Resources.

Given that all irrigation infrastructures existed prior to present governments surely they have a duty to manage the schemes for the good of the whole economy. Water reform has made irrigation schemes a “cash cow” for state governments with no concern for the long-term decline of rural economies. True management of these assets needs a holistic approach, which has been ignored under Water Reform.

6. Hands off Natural Water.

Given the blatant money grab Water Reform has become it is only a matter of time before all sources of water are seen as a source of revenue. Given that the Government takes no responsibility for the supply of flood and bore water nor should they be able to use it as a tax.

Conclusion.

INTRODUCTION.

The introduction of CoAG reforms in the early 1990's have had results ranging from disappointing to devastating for regional areas. Coupled with economic rationalism and the National Competition Policy, all forms of safeguards, protection and encouragement for rural and regional businesses were removed.

It is difficult to believe that the revolutionary and idealistic policy to come out of CoAg had such wide-ranging bipartisan support considering that it is so blatantly detrimental and discriminatory against rural areas. The "American style" corporatisation of long held national assets relies heavily on economies of scale and large population bases to be equitable and indeed in any way successful. Australia and particularly regional areas lack any form of population and therefore any "user pays" principal can only lead to rises in fees, charges and costs for these users. Less than ten years on and these reforms have proven to do just that.

Furthermore certain legislation long considered the backbone of many rural industries such as regulated dairies was wrongly perceived as protectionism under CoAg and scrapped. This sort of legislation was rightly in place to protect the many thousands of small, insignificant producers from the might and greed of processors they relied on to process their products and provide a fair living. The removal of the legislation had the effect anybody could foresee. Thousands of small producers against the large multinationals; who are now under no obligation to provide fairness or equity to the milk market. Now similar legislation has been lost to water users.

Much of the CoAG inspired legislation flies in the face of good economic policy and logical growth paths for regional economies. Moreover it treats those who have invested in these regions with contempt and will stifle further investment long into the future. It has robbed regional areas of confidence and the desire to press on. Most disappointing is that it has lead to the rapid ageing of rural centres as young families and enterprising young people have abandoned rural pursuits as just being too hard. Leaving with them is a lot of the enthusiasm, local experience and the hope of the communities they leave.

The Federal Government seemed to initiate CoAG and then leave it to the states to implement in a very short timeframe. The result has been a hotchpotch of new ideas, corporations and legislation, much of which simply does not fit in a sustainable irrigation framework. And while regulation, bureaucracy, and red tape have increased; the problems they cause have become almost insurmountable.

CoAG in Queensland gave us the "water industry" and Water Reform legislation, which has bitten particularly hard in the Fassifern Valley. The current drought notwithstanding, the mistakes and uninformed decisions of Water Reform will plague us long after this drought has broken.

I believe that the Federal Government must act on behalf of the producers of this nation and the "little" people of rural Australia while we are still here to be helped. I see no use in dealing with the "future" aspects of your Committee's charter until the mistakes of the last ten years have been dealt with.

I believe that failure to act swiftly will further erode the potential of rural Australia for viable communities, and with it the goodwill of the residents of those communities.

Following are some of the issues affecting growers in the Warrill Valley along with some of the concerns they have.

1. Dams Never Constructed for Profit.

Moogerah Dam was completed in 1960 for the prosperity of farmers and the general economy of the district. Furtherest from the minds of the Government of the day and the engineers who built it was that it had to make money out of selling raw water.

This was a time when politicians of all persuasions were interested in encouraging economic growth and state involvement in large public assets spearheaded this growth. The foresight they showed is to be commended by my generation today and should be studied by politicians today as a model for prosperity and growth in the regions.

This type of holistic approach to development is rare among politicians today and is given no credence at all under CoAG. The supply of water cannot be simply removed from the overall economy of the district and given to the highest bidder. Price hikes for water under Water Reform will render certain crops unviable in our area, which will throw the entire production economy into upheaval. Consequently growers already struggling with uncertainty have to consolidate and often go into debt to reform. The answer from the Water Reform unit was that we should all grow snow peas.

The economic growth generated in this district because of the availability of irrigation water, coupled with the skill, risk, and enterprise of many farmers will have served the government with many times their investment. I doubt that history will show that it has been worthwhile unsettling most of rural Australia to make a few bucks for the state government while losing many more through rural decline.

2. Farmers in Competing Industries.

Farming and food production is a very competitive industry both domestically and internationally. Australian farmers need to be able to control their input costs to remain viable in export markets, particularly in the favoured South East Asian marketplace. Contrary to popular belief, Asian markets are very price conscious markets, particularly since the currency crisis of the early nineties.

The price path for water in the Warrill Valley increases the price of water by 150%. Such price rises are difficult to absorb in a farming business and are impossible to pass on. Furthermore it erodes our viability in export markets as again production costs cannot and will not be passed on.

The rhetoric of the Australian Governments' in this action is deplorable considering the situation of many of our competing nations. Many growers in the United States and Canada pay a token amount for water. In nations like China the water is free. These are the countries we have to compete against in order to maintain market share in Asia, and once again the "level playfield" lists against the Australian suppliers.

We often hear that increasing the price of water will make farmers use it more efficiently. While this is a nice theoretical notion, with an input for which there is no substitute and monopolistic control, such price increases do little more than simply drive up costs of production.

3. Government Corporations – Who are they?

A result of the Water Reform process was the introduction of a Government owned corporation to oversee the management of the water resources of the state. Far from having any say in this process or outcomes, irrigators were told that the water allocation system would be scrapped and that supply of water would now be delivered through a contractual arrangement with Sunwater.

The ramifications of the introduction of Sunwater were swift and abrupt. Firstly they take away almost any right to complain or reject the changes that have so significantly affected us. They claim they are bound and protected by legislation but as there is no recourse for what they do or say they simply give irrigators the brush off.

The state government for its part says that they are bound by CoAG and that complaints should be directed to Sunwater who for the most part don't care. The responsibility for hearing irrigators concerns therefore doesn't rest with anybody and this cycle has become one of the most frustrating aspects of water reform. At least when water resources were in control of departments that were answerable to ministers all stakeholders got a say and were treated with respect. Now there is no chain of responsibility, and least of all, respect for irrigators.

The granting of monopolistic control of such an important resource to these quasi – governmental corporations is irresponsible at best. The government should not have relinquished its responsibility in running irrigation schemes, particularly to an operator who has shown so much contempt for irrigators.

Simple laws and practices have been steamrolled by Sunwater in its haste to commence the water price paths. In our case farmers were notified that the old water allocations were no longer valid and we would have to sign a contract with Sunwater. Most farmers

were already angry at the imposition of Sunwater and its pricing policies so having a contract with such a company does not appeal to us.

The state government for its part got the contracts out too late to be signed and then passed an act of parliament that deemed the contracts signed. Such blatant abuse of irrigators' rights and governmental responsibility has further eroded any faith farmers have in water reform being good. It amazes me how such a breach of contract law could ever be sustained, but such has been the path of water reform. Irrigators in this valley have no faith in this process and even doubt that the contracts we have "deemed to have signed" are worth anything.

Sunwater has also sold out irrigator's rights to water in favour of back door deals with industrial users on certain schemes. The payoff for this "high priority" water is called a "capital contribution" to the scheme. As the contribution was not used as capital for the construction of anything it amounts to little more than the states profiteering from schemes to the detriment of irrigators.

Moogerah Dam has for a number of years supplied water to both irrigators and the Swanbank power station. Historically the power station drew allocation from Moogerah to a certain point after which it switched to an alternative source of water being Wivenhoe Dam. This allowed for an extended irrigation season in the onset of drought, keeping our district productive in the process.

During the water reform process the power station through a "capital contribution" was allocated high priority water, which basically gives them priority to the water over all irrigators. This means that our district now dries up prematurely with the onset of drought and with it the reliability of our farming. This is particularly disturbing when the power station has an alternative supply and many growers don't.

It should also be noted that Wivenhoe Dam, which has a drought failsafe of over four years was built expressly for urban and industrial use. It therefore stands to reason that the power station should have been granted an allocation from this source as a part of water reform, particularly considering that all the infrastructure to draw from this source exist.

I must also point out that irrigators do not begrudge having the power station as a part of our scheme. During times of plentiful water they help our whole scheme run more easily and efficiently. The fault lies with the government who should have granted them with an allocation from Wivenhoe to ease the pressure on Moogerah when required making our whole scheme more equitable.

4. Social and Moral Obligations.

The introduction of Sunwater to irrigation schemes has released the Government from social responsibility to the communities in which the scheme operates. Sunwater, with its heavy handed, profit driven motive simply has no charter for the betterment or

sustainability of irrigation communities. The role of past departmental managers was to provide equity and accountability to irrigators and the community. Now Sunwater dictates to irrigators and shows complete indifference to the community. You can never get a Sunwater officer to even give credence to problems they have caused to community, let alone take steps to change it.

Consequently irrigation communities are as vulnerable as their farmer constituents. The loss of confidence and instability due to water reform has been and will continue to be felt throughout rural centres.

This indifference to social consequence has been highlighted this year when, during the current drought, irrigators have been forced to pay for water Sunwater cannot supply. Given that many growers are facing nil or negative incomes for the past year, to expect payment in a non supply period is heartless at best. Moreover it is the community that will ultimately suffer as this money paid for nothing flies to Brisbane offices instead of into the tills of our local businesses.

The current price path set by Sunwater for the Warrill Valley raises water price for irrigators by 150%. This increase will draw an extra \$500 000 from irrigators in the scheme who will receive no better service from the water and less rights to it. The impact of removing this money from the local economy will be a further blow to our small towns as this extra money goes directly to the Brisbane CBD.

I for one am tired of listening to Governments of all levels paying lip service, having talk fests and holding forums on how to stem the flow of money from the country to the cities when with this one reform \$500 000 dollars worth of disposable income flows out of our valley. Surely this highlights the futility of fighting to save regional viability when Government policy does the exact opposite.

5. Management of State Resources.

The economic theory of water reform and the rhetoric behind it is a real cop out for Governments elected to properly manage state owned assets. The reason for the existence of these assets has been ignored under CoAG along with the communities they are meant to benefit.

Consequently the implementation of the CoAg reforms has been largely viewed as a Governmental money grab from country people. Surely there has to be a more equitable way to value state owned facilities than user pays. This policy does not recognise the value of the economic activity it generates, the flow on effect of money kept in the local area, the multiplier effect of rural income both in net income and tax generation terms, employment growth, exports generated, the creation of non urban opportunities or the overall benefit to the Australian economy. This highlights the simple mindedness of user pays and a lack of will by the Government to properly manage its resource.

I must reiterate the importance of long-term management strategies for the whole economy versus short term profiteering from finite resources. This responsibility has been lost on present governments who must think carefully if they wish to maintain rural and regional businesses. But this will only be achieved through proper management and consultation not through increasing state revenues at the expense of the rural sector.

Sunwater's ability to manage each irrigation area must also be called into question considering the way they have handled the reform process. In fact there didn't seem to be any management process or consultative process at all. Instead they have a "one program fits all" approach rather than working on the uniqueness and needs of each situation. Furthermore there was rarely agreement on what Sunwater proposed which made a mockery of what little consultation there was. Eg, Irrigators in the Warrill Valley not only had to contemplate a 150% increase in the price of water but also a significant loss of the rights of that water due to the presence of significant "high priority" users. So not only do we pay more, we get less. Nobody could have negotiated a worse outcome for irrigators but we were never even given the opportunity to even complain. The damaging effects of such shortsighted management will continue in our community for many years.

Likewise we often hear that our water is cheap compared to other schemes and other states. But our scheme does not deliver water under head in a concrete lined ditch at the head of every farm. The infrastructure involved with our scheme is very minimal, with the water being delivered via natural streams and drainage lines. Ultimately it is the irrigator who must maintain a pumping position, provide water delivery systems to individual fields and pump under considerable pressure to lift from creek surfaces to field height. Therefore our total cost of irrigation is often many times that of other areas who may pay more for the raw water but have no other costs. Again this highlights the management ability in seeing things for what they really are, not just the dollars for Sunwater.

It would be hypocritical of any Australian Government today to consider themselves champions of the irrigation industry or of water conservation. The pathway of water reform has left no doubt in the minds of irrigators of the Governments intentions to milk the water industry while making no commitment to its future expansion.

The lack of political will to initiate water storage projects on terms other than user pays spells the end of large-scale irrigation infrastructure. For reasons outlined above, Australian producers simply cannot afford to pay the monumental capital contribution or on going management costs associated with user pays dams. Consequently the Australian economy will miss many opportunities to grow through rural expansion and will remain stifled behind the shortsighted CoAG reforms.

6. Hands off Natural Water.

The next wave of revenue raising from water is to charge for both floodwater and private bore water. It is interesting how the Government takes no responsibility for either the provision of, damage caused by, or reliability of bore and flood water, yet they believe

they have the right to charge irrigators for its use. Such socialistic policy neglects all the reasons farmers pay premiums for properties with good groundwater and river frontage. The rights to the use of such water sources should then rest with the property and not treated like some "public asset" for which the irrigator must pay.

There may be cases in some rural areas whereby groundwater monitoring may improve the equitability of the use of the resource. Monitoring and the costs thereof, should therefore be accepted by the irrigators affected and not some blanket policy. In our own district underground water runs in a series of narrow and unpredictable streams that seem to have no relationship in their reliability of supply. The monitoring of such an area will therefore do nothing to improve the sustainability or water yield for irrigators. However we believe it is only a short time before DNR arrives with its meters and invoices.

Conclusion.

We hope that through the study of this document you gain some insight into our outrage and disappointment with the Water Reform process here in Queensland. Consequent to your visit to our farm and facilities I am sure that you realise that we are not some "winging farmers" not content with paying their way. We are a world-class business proud to operate in regional Queensland but with severe reservations as to the tack the Government is taking with CoAG.

Of course we are available for further consultation and wish to thank you for this opportunity to make this submission