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House Standing Committee on Regional Australia

Inquiry into the impact of the Murray Darling Basin Plan in
Regional Australia.

SUBMISSION
By Lower Murray Water
Monday 20th December 2010

Dear Committee Members

We thank the Minister for Regional Australia, Regional Development and Local Government and Minister for the Arts the Hon Simon Crean MP for the opportunity to lodge a submission on this vitally important issue. It is vital to our local community, to our business, to our region and to our nation.

In making this submission we respectfully acknowledge the terms of reference and have limited our comments to the anticipated impacts of reductions in water entitlements, pursuant to the proposed Sustainable Diversion Limits (SDL's) as canvassed in the Basin Guide.

Representatives of Lower Murray Water are available to speak to this submission should the Committee so desire during the public hearing phase of this inquiry.

Lower Murray Water is the suppliers of irrigation and drainage services as well as urban water supply and sewerage services to north west Victoria, spanning an area from Kerang to the South Australian border

Points of Response to the Terms of Reference

1. Direct Impacts on Lower Murray Water

a) The Irrigation Districts in the Mildura (Sunrayisa) region of north west Victoria, and similarly in New South Wales Sunraysia, have already experienced significant decline in irrigated horticultural activity mainly due to downturn in the wine industry. The speed of this decline has been exacerbated by the high cost of temporary water during the drought. This decline is evidenced by approximately one third of irrigated land in the Lower Murray Water pumped irrigation districts now being out of production.

Further reductions in irrigated land use driven by SDL's will significantly exacerbate the issue of stranded assets in our irrigation and drainage networks to a point where the fixed cost per customer will become totally unviable. This will lead to a complete closure of irrigation districts in this region as we know them today.

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The current fixed cost per customer ratio is already high and requires reversal via the reinvigoration of dried off land.

Dried off land occurs in a random pattern creating a patchwork quilt effect and does not easily lend itself to reconfiguration. Soil types are not a pre determinate of dried off land so do not assist in any considerations about reconfiguration.

b) We do not have direct access to figures about the regional economic impacts of the current state of our irrigated horticultural decline but as the service provider we do have first hand knowledge of the growing levels of bad and doubtful debts. We are not at liberty to provide specific details of these debts but would be willing to separately provide summary debt details to the Committee upon request.

The Committee could reasonably scale these consolidated debt figures up on a pro rata basis to gain a broad understanding of impacts that may eventuate from further reductions in irrigation commensurate with SDL reductions.

c) As the service provider we are being forced into cost cutting that will lead to long term decline in the levels of service and reliability of our systems. This is being manifested in reduced preventative maintenance and consequent reduction in labour requirements (ie lost jobs)

2 Indirect Impacts

a) As mentioned above dried off land occurs at random. These dried off parcels become a management problem for the owners but more importantly become a significant problem for neighbouring enterprises due to the potential for transfer of weed, pest and fungal infections. This latter issue has been extremely pertinent in the current growth phase of the 2010/11 grape vintage.

These neighbouring vacant land parcels can have an effect on property values particularly in instances where the vacant land has essentially been abandoned.

b) There is a very noticeable downward shift in the general wellbeing of our irrigation community. Their resilience has been and continues to be tested to the limit. In some cases sadly this has been beyond their limits.

Further pressure on this sector of our community from SDL's will have major consequences in the areas of family stress and the community support systems that are already struggling to cope.

c) We will refrain from making comment on third party impacts as directly affected parties will most likely be providing more meaningful commentary. These third party impacts fall into the category of flow on effects and cover matters such as jobs, population decline and viability of local government, business and industry. These third party impacts have a negative long term effect on Lower Murray Waters capability to renew it asset base.

3 Delivering Infrastructure, Technology and Water Savings

Lower Murray Water has lodged a Business Case and subsequent Resubmission Report during 2009 with former DEWHA, and now DSEWPC, for funding toward a project called the Sunraysia Modernisation Project (SMP). Accompanying this submission is a two page Briefing Note that describes this project and how it addresses infrastructure, technology and water savings.

In particular it is worth highlighting that the SMP is predicated on the opportunity for diversification by providing irrigation water to customers on a 365 day per year basis and of a better quality than is currently available. The current level of service is restricted due to the need to shut down the delivery system for annual maintenance. This occurs during the winter months and prevents or severely limits the opportunities for winter cropping.

It has been demonstrated through case studies that winter cropping, such as citrus and other products will be taken up or enhanced with the introduction of a year round supply of irrigation water.

This expansion and diversification has obvious benefits to primary and secondary level stakeholders.

4 Previous relevant reform and structural adjustment programs

During late 2008 the Federal Government introduced the Small Block Irrigator Exit Grant program. While good intentioned, this program included requirements that all above ground irrigation infrastructure be removed and that the land be embargoed from use for irrigation purposes for five years.

This program has been described as a direct policy collision with a program being run by the Victorian Government which was subsidising the conversion of on-farm irrigation systems to more efficient delivery methods eg from overhead sprays to dripper systems. There were cases where irrigators had received grants to do these conversions and upon completion then were recipients of the SBIEG to then remove all above ground infrastructure.

While such waste was a matter of circumstance the more important issue is the embargo of land from use for 5 years. In the four pumped districts operated by Lower Murray Water there were 82 successful applicants for the grant which has rendered the respective properties unproductive wasteland for 5 years.

In closing we acknowledge the need for a well thought out Basin Plan and refer the Committee to our submission to the Murray Darling Basin Authority where we postulated that there is a need for an overarching *Plan for the Basin* which includes the Basin Plan. Such a plan for the basin would include how Government intend to deal with the social and economic impacts which are the subject of your inquiry.

We wish the Committee great insight and wisdom in its endeavours in dealing with these issues of national significance.

On behalf of Lower Murray Water

RON LEAMON
MANAGING DIRECTOR



SUNRAYSIA MODERNISATION: THE SOCIO-ECONOMIC CASE

1. *The Sunraysia Modernisation Project (SMP) is a \$120 million investment to upgrade the bulk water delivery systems of Mildura, Red Cliffs and Merbein to the levels of reliability and service required for 21st century high value irrigated horticulture. It is an efficient investment with positive net benefits to the regional, state and national economies.*

Rationale

2. *Sunraysia is a major regional centre with strong natural and man-made advantages and infrastructure.*
3. *However, the region is vulnerable to reduced water allocations due to the Basin Plan and climate change: Sunraysia's economy is highly dependent on water; the community currently has a comparatively high level of socio-economic disadvantage.*
4. *On farm, water application is already highly efficient with some 85% of current irrigated area using modern pressurised systems. However, the current low levels of service in the open channel bulk delivery systems are a block to confidence, and the incentive for private investment and thus to regional competitiveness and sustainability. The inadequacies of the open channel systems have accentuated the process of withdrawal of potential irrigable areas from production.*
5. *By providing year-round water and higher service standards the SMP will invigorate the Sunraysia farming sector, stimulating the diversification into more profitable crops.*
6. *In turn this will have positive flow-on benefits to the regional economy which is tightly linked to the horticultural sector in terms of upstream services and input suppliers and downstream processing, packing, transport and marketing sectors.*
7. *The upgrading of the open channel systems will bring/retain the next generation of investors in Sunraysia's horticulture. It is also an essential step in building the adaptive capacity to reduced water allocations.*
8. *On the question of equity, private investment in Sunraysia has already achieved substantial water efficiency and savings on-farm. However, in sharp contrast to other major regions in the Basin, Sunraysia's delivery systems has not, to date, received major public funding.*

Objectives

9. *The primary objectives of the SMP are to:*
 - *enable 365-days-per-year supply of water that is of free of contaminants and fouling. This will increase the flexibility to grow a diversity of crops and mitigate production risks, enabling diversification of cropping and control of application for enhancement of product quality;*
 - *provide higher volumes and other levels of service and thus to facilitate and stimulate investment in efficient on-farm irrigation infrastructure and deliver an essential platform for ongoing, viable farm adjustment; and*
 - *reduce water losses and improve water use efficiency. Water savings from the project are estimated to be in the order of 4.4 GL and are to be returned to the Commonwealth Environmental Water Manager.*

Project specification

10. *The project does not involve replacing the open channel systems with expensive pipelines. Comprehensive value engineering confirms that careful upgrading of the channel and pump systems offers similar benefits to pipelining, but at a fraction of the cost.*
11. *The project entails three main elements:*
 - *renewal of pumping equipment utilising state of the art variable speed pumping equipment that will match supply with demand;*
 - *lining, covering and fencing of the channel systems to save water, eliminate fouling and contamination by rubbish and weed growth and to prevent drowning due to human and/or animal ingress. Channel automation will also deliver water to irrigator outlets on order rather than on a 'just in time basis'; and*
 - *installation of electromagnetic meters on all irrigation outlets to provide accountability of water use and to allow real time flow monitoring. This will enhance both on-property irrigation management as well as resource provision by the service agency.*

Funding request and compliance

12. *The SMP more than meets the due diligence criteria for the capital funding of the \$103 million committed in principle by the Commonwealth Government under Water for the Future at the July 2008 COAG meeting.*
13. *The project estimate is \$120 million with \$103 million being available from the Commonwealth Government, subject to due diligence, and \$17 million from Lower Murray Water.*
14. *The Business Case (Resubmission) Report was lodged, via the Victorian Water Minister, with DEWHA (now DSEWPC) in May 2010.*

Favourable economics

15. *Investing in improved irrigation systems for horticulture offers good economic outcomes:*
 - *irrigated horticulture (vegetables, fruit and grapes) provides greater value for water use than other farming activities in Victoria. While horticulture accounts for 47% of the gross value of irrigated production in Victoria (GVIPV), it consumes less than 19% of total irrigation water. This contrasts favourably with dairy which accounts for 41% of GVIPV and consumes 52% of irrigation water, and broad acre irrigated agriculture which accounts for 12% of GVIPV and consumes 29% of total irrigation water;*
 - *in addition to reinvigorating irrigation investment, productivity and activity in the districts of Mildura, Red Cliffs and Merbein, the construction phase will confer immediate benefits. Compared with no investment, the construction phase of the full project is estimated to generate an additional 520 jobs and an additional \$56 million real gross product; and*
 - *by upgrading the open channels we reinvigorate private investment both on-farm and in supporting industries and services. Compared with Business-as-Usual, increases in on-farm productivity of 5-10% appear easily achievable. Each 10% boost to farm productivity yields an additional 111 jobs annually across Australia. Much larger productivity increases from both farm and in supporting industries are expected from the reinvigoration of private investment and its effect in increasing the confidence and adaptive capacity in the face of the cuts in water allocation expected from the Basin Plan.*

REFERENCES

1. *Preface to Sunraysia Modernisation Project: Merbein, Red Cliffs and Mildura – Resubmission Report*
2. *Executive Summary to Sunraysia Modernisation Project: Merbein, Red Cliffs and Mildura – Resubmission Report*
3. *MJA MDBA Synthesis Report, economic and social profiles and impact assessments of the Murray-Darling Basin Plan*

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