

Opportunism: confusion exploited: VFF misleads

The branch has been disturbed by the politically driven opportunism of anti plan groups including the VFF. Of particular concern has been the promotion of the belief amongst irrigators that SDL's are to be achieved in the first instance by reductions in irrigation entitlements. Prior to the last federal election campaign this was a possibility, but the campaign saw bipartisan confirmation from Ms. Gillard and Mr. Abbot that SDLs would be achieved in the market from willing sellers, a promise subsequently confirmed repeatedly by the MDBA. This undertaking represented a potential quantum shift forward in the position of irrigators vis a vis government.

These undertakings have been submerged in often sensationalist media coverage and, many, if not the majority, of irrigators, along with Basin communities generally, still mistakenly believe that the SDL's will be achieved by confiscation of entitlement. Lobby groups continue to exploit this belief which is a prime factor in the failure of the MDBA and the government to sell the plan. The VFF submission repeatedly exploits this confusion, deliberately and mischievously using the term "reduced water availability" to infer the MDP will entail reductions in entitlement to individual irrigators. This is not the case, buybacks under the plan may see water leave particular regions, but individual irrigators will retain full entitlement, which would increase in value under a buyback of sufficient scope.

Buybacks v Infrastructure: buybacks advantageous, justifiable.

The initial \$3.1 billion NWP money earmarked for buybacks would assist irrigators and their communities currently suffering the effects of a massive reduction over the last 12 months in the value of permanent water entitlement. The equity of irrigators would increase if the buy back program proceeded as intended causing prices to recover. Additionally, the credit squeeze currently impacting on irrigators and caused by the drop in the value of entitlement would be mitigated to the benefit of irrigators and the communities reliant upon them.

The Productivity Commission has backed buybacks as an efficient method of achieving recovery of water for the environment. The VFF and other lobby groups have put forward infrastructure programs as a preferred alternative to buybacks. The mega litre return from infrastructure funding can and should be maximised, but claims that realistic SDLs can be wholly (Andrew Broad VFF) or substantially (NFF, NIC, VFF) achieved by infrastructure upgrades are unconvincing and unrealistic.

It is clear that even lower range SDLs will have to be achieved with a buy back program. A well funded and fairly conducted program will be of benefit to irrigators, whether they choose to remain irrigating or not, and their communities, by underpinning the value of entitlement. Lobby groups are intent on halting the buyback program and diverting funds to costly and wasteful infrastructure programs. This is a political agenda in line with the aspirations of governments and politicians, but is not in the interests of irrigators who ultimately will be asked to underwrite these projects with massive increases in water charges.

A case in point is the Sunraysia Modernisation Project, which the VFF supports without justification in its submission. The branch has advocated extensively on the SMP which does not have broad irrigator or branch support in Sunraysia, and has recently been affirmed by LMW (LMW submission to MDBA) as being a \$1Bill project in its preferred guise. Sunraysia is currently 45% dried off and rising, and its remaining irrigators are currently served well or adequately by a system much of which is new. Imposing the SMP on irrigators would see serviceable infrastructure trashed, water rates including exit fees triple or quadruple for no benefit, and the parallel expansion of irrigation by means of destructive tax effective irrigation projects. Other projects would impact similarly on irrigators in other regions.

It is not in the interests of irrigators for expensive, politically motivated infrastructure programs to be imposed on them, especially if funded by money diverted from MDBA buybacks.

LS buyback, LTCEs

The VFF has emphasised its opposition to buybacks, but has stressed that an exception should be made in the case of Victorian LS water entitlement. This has caused branch concern as LS water would represent a poor investment for taxpayer's funds given the poor allocation record of Victorian LS over the past decade. The science is saying the resource is diminishing and will continue to do so, making LS an increasingly risky prospect. The MDP is in fact premised on an increased scarcity of the resource, which implies a diminished value for LS. The current purchasing program is premised on formulas derived from Long Term Cap Equivalents, these in turn being derived from the historical inflow figures. The branch notes that a prudent, ongoing, value for money purchasing program would be amended in line with the latest science and would accordingly target HS products to ensure SDL targets of "real water" were achieved in the majority of years. In years of high water availability temporary water would be cheap and would represent a better return on investment than LS.

Branch concerns regarding the VFF's opportunistic attempts to push the sale of LS to the commonwealth have been conveyed to the VFF. It is noteworthy that although the VFF has run hard in the media with its demand for preferential buyback of LS, it has not repeated its demands in its submission to the MDBA.

VFF Demands Cheap Temporary Water

In its submission the VFF states that irrigators have sold off HS to improve liquidity, and goes on to demand that the Commonwealth should not buy back HS entitlement for the environment as this would increase the price of temporary water to those irrigators. Effectively the VFF is demanding that HS holders must hold on to their HS water in order to put a ceiling on temporary water prices. Effectively this is demanding current HS holders subsidise temporary water users, who have the additional benefit of access to capital formerly tied up in their sold off HS.

This demand is unacceptable; irrigators who have sold their HS took a business decision to do so with full awareness of the risks involved.

Irrigation Districts Post Basin Plan: Need new model following review: Government must help

Irrigation authorities generally are already under stress and running at a loss as irrigators leave and properties are dried off. LMW for example is 45% dried off and rising and like other Victorian authorities is only balancing its books by counting one off exit fee payments as annual revenue. Other authorities such as GMW are in an even worse position. Clearly the situation is unsustainable and can only get worse when SDLs will see more water leaves districts leaving remaining irrigators to bear the cost of maintaining the authorities. To retain existing irrigators and to ensure that re-irrigation of currently dried off properties becomes attractive in the long term, a coherent plan must be formulated which breaks the present pattern of penalising irrigators with high charges and exit fees exacerbated by unaffordable annual increases.

To develop and implement such a plan, a review of the current model of full cost recovery now imposed on water authorities and irrigators must be conducted by government as an integral part of the MDP. The review must recognise that in order to protect irrigators and for authorities to survive to serve their communities post MDP, government will have to assist in funding authorities, at least in the medium term transitional period This will entail abandonment of the current full cost recovery model..

Other Recommendations.

The branch recommends that- the starting dates for implementation of SDL's be aligned so recovery begins in all states at the same time in order to prevent adverse market impacts and inequities.

-SDL buyback strategies are reformed in order to attain useable water. To this end the LTCE model needs to be reviewed and amended in line with the evidence in favour of a drier future for the Basin. Emphasis should be on buying HS water.

- Buybacks to involve a premium for irrigators in pumped districts, as flagged by the MDBA at the Mildura information meeting.

- Lease back arrangements be developed to allow irrigation of annual crops in years of high water availability, this would allow survival of gravity districts in particular.

-That irrigators supplied by authorities have their exit fees paid if participating in buybacks.
-That no irrigator is disadvantaged by operation of the 4% cap; to this end any cap or similar impediment be abolished as part of the MDP process along with exit fees.