QUEENSLAND FARMERS' FEDERATION

SUBMISSION TO INQUIRY INTO
INFRASTRUCTURE AND THE DEVELOPMENT
OF AUSTRALIA'S REGIONAL SERVICES

April, 1999.

INTRODUCTION:

The Queensland Farmers' Federation which through its member organisations represents over 85% of the primary producers in Queensland, welcomes the Inquiry by the House of Representatives Standing Committee on Primary Industries and Regional Services into Infrastructure and the Development of Australia's Regional Areas.

Over a long period primary producers have witnessed a run down of rural infrastructure and services which has impacted adversely on their own rural enterprises and on the associated communities located in country towns throughout the State. This run down has continued irrespective of the political persuasion of both Federal and State Governments to the point where the quality of life for those in rural and regional areas has deteriorated markedly.

Our member organisations have expressed concerns that no organisation in either the private or public sector is addressing the long term needs of rural and regional areas. A combination of diverse economic trends together with the periodic shocks resulting from factors such as droughts and deregulation will impact severely on many regional economies in the future. Once prosperous rural communities will be placed furhter at risk unless industry and government take positive action to maintain them.

QFF believes that the adoption of positive regional development strategies, backed by the commitment of significant levels of funding, are essential to arrest this decline. QFF is hopeful that this inquiry represents a move in this direction.

In this submission QFF does not seek to provide comment on the wide range of infrastructure needs and regional services. For many of these such as roads, banks and telecommunications the difficulties being experienced in Queensland are common to those being experienced by primary producers across Australia.

On the other hand the situation in Queensland in relation to the development of water resources infrastruture is considered to be quite different from the situation in southern States, and this submission will deal solely with this issue.

QFF have discussed this inquiry with the National Farmers Federation. They have indicated that their submission will provide comment on a broad range of service and infrastructure issues. QFF fully supports NFF's submission to the Inquiry in relation to the general infrastructure and service requirements of rural and regional areas.

CLIMATIC VARIABILITY:

Queensland along with the rest of Northern Australia is subject to a high degree of climatic variability. Rainfall is summer dominant with monsoonal and cyclonic influences providing most of the precipitation. Cyclonic events are mainly influenced

by the fluctuating EL Nino/La Nina weather patterns which produce periods of dry years and wet years respectively. *[*]
For primary producers these fluctuations between dry and wet years are difficult to cope with in a management sense as they are virtually impossible to forecast. Compared with the relative predicability of winter rainfall in much of southern Australia, primary producers in Northern Australia operate within a more uncertain environment.

An indication of the high degree of climate variability can be gained form records of drought declarations kept by the Queensland Dept of Primary Industries during this decade. This information shows that large areas of the State were affected over a 6 year period from 1992 to 1997. At the height of this drought more than 50% of the State was officially declared.

Extended periods of drought have severe effects on landholders and on country centres. They represent the main cause of business failure by producers especially when combined with other factors such as a fall in commodity prices or high rates of interest on borrowed funds. In addition to these obvious financial effects, droughts take their toll on farm families and families associated with rural businesses in country towns. Financial difficulties often precipitate serious health problems and place a great strain on family cohesion in terms of marriage breakdowns. For grazing properties droughts can also subject the rangeland to degradation as producers seek to keep livestock alive on depleted pastures.

IMPORTANCE OF IRRIGATION

Against this background of a high degree of climatic variability, irrigation represents virtually the only way in which primary producers can ameliorate the fluctuations in their output.

Some industries such as sugar, cotton, Dairying and fruit and vegetables are already heavily dependent on the availability of reliable supplies of water for irrigation. The Queensland Irrigators Council have estimated that in 1995-96 the gross value of production from irrigated crops was $888 million. This represented over 52% of the gross value of all crops grown in the State.

In terms of area, about 15% of the 1.9 million ha devoted to crops are irrigated. Irrigated crops use about 1.2 million megalitres of water annually.

These figures illustrate the capacity of irrigation to substantially increase productivity. In summary they indicate that the 15% of cropped land which is irrigated in Queensland produces over half of the total gross value of crops grown.

For some of the industries which are heavily dependent on irrigation such as sugar and cotton, a high proportion of total production (over 80%) is exported. For those industries, the high quality of the product sold overseas is a key to their success in the international market place. This is also the case for selected fruit and vegetable products such as tomatoes, mangoes and avocadoes which are exported. For all of these it would be difficult to achieve the high quality standards expected overseas in the absence of irrigation on farm. Similarly consumers on the domestic market have become much more quality conscious and again their requirements will not be met unless crops are kept stress free through the application of irrigation at critical times.

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[*]* A useful map of the State showing the high degree of variability of rainfall is shown on P.xvi of "Wet as a shag, dry as a bone" by Dan Daly, DPI, 1994.

REGIONAL IMPACTS

Given the wave of migration of country people to coastal centres in the post war period there are few investors who are prepared to risk their capital by investing in enterprises in rural areas. Higher transport costs, poor availability of skilled labour and other support services are some of the reasons why investment in capital cities and larger coastal towns is preferred.

One of the few investments which is available to rural areas is that of water infrastructure. The development of irrigation schemes has not only stabilised and enhanced the profitability of primary producers but it has also created strong associated communities in country centres servicing those schemes. Examples in Queensland are Emerald, St George, Mareeba, Ayr/Home Hill and Bundaberg. Each of these centres has grown in recent decades as a result of irrigation development in nearby areas.

This is in contrast to what has happened to most of the country towns in Queensland which have been struggling to maintain their populations in the face of declining numbers of landholders in surrounding areas.

The irrigation industry sector as a whole which includes irrigation farming and associated activities including processing, transport and other service industries makes a much greater contribution to the State economy than that indicated for just the farm sector. Research undertaken estimates that $1 of production from irrigation produces an additional $5 of output and one person employed in irrigation generates employment of an additional 3.7 persons. About half of these flow-on benefits are enjoyed in the local irrigation regions and half in coastal centres particularly key ports and processing centres.

UNDER UTILISED WATER RESOURCES

In 1996 the Queensland Minister for Natural Resources commissioned an independent Water Infrastructure Task Force to put forward infrastructure proposals to support economic development opportunities across the State.

This Taskforce received 350 submissions indicating a very strong demonstration of interest in the provision of water infrastructure. In addition to many requests for new storages, many proposals focused on farm development, improving water management, water use efficiency and better environmental outcomes.
In response to the report of the Taskforce the Queensland Government at the time made a commitment to allocate $1.0 billion over the next 15 years to water infrastructure development. It was expected that these funds together with private sector funding would result in more than $2.0 billion worth of water infrastructure being put in place over the 15 years period.

Following a change in the State Government in 1998, the new Government also committed itself to an allocation of $1.0 billion over the next 15 years to take advantage of the under utilised potential of the States water resources.

FUNDING ARRANGEMENTS

Irrigation projects completed in recent years such as Teemburra Dam and Dumbleton weir in the Mackay region and Walla weir in the Bundaberg region were financed on

the basis of one third contributions from the State Government, the Commonwealth Government and industry.

This financing arrangement represented an equitable way of sharing the funding requirement which recognised the benefits to both levels of government and to industry. For major schemes completed in earlier periods such as the Burdekin Dam, the percentage contribution of the Commonwealth was much higher.

Unfortunately the Commonwealth Government has now adopted the position of not contributing to any new water infrastructure proposals. Some of these, such as the large scale Nathan Dam project, are beyond the funding capability of the Queensland Government. This places a heavy financing burden on industry if projects are to proceed. In the case of the $120 million Nathan Dam, the State Government has commissioned a preferred private sector developer to draw up plans for the development on the basis of 100% financing by industry which includes agriculture, mining and electricity.

Both State and Federal Governments are beneficiaries of water infrastructure development in the sense that the economic activity generated creates revenue for them. Sustainable irrigation developments create income streams a long way into the future. These income streams will be subject to income taxation and a variety of other taxes. In addition much of the extra production from the proposed schemes will be exported thus assisting the Commonwealth in relation to macro economic management of the Trade Account.

QFF considers that the Commonwealth Government should acknowledge the national economic benefits to be derived from the development of under-utilised water resources in Queensland by entering into joint funding arrangements with the State Government and industry.

COAG REFORMS

Under the COAG reforms, water made available from new water development projects must be priced so as to meet operating and maintenance costs and provide a target rate of return on the investment.

Whilst these arrangements preclude the provision of subsidies for water development they do not mean that Governments should not assist in financing projects in the interests of regional and national development. It is unfortunate that the Federal Government appears to have used the COAG Agreement on Water Reforms to abandon any support for States seeking to invest in the development of under utilised water resources. In doing so it has turned its back on a very effective way of generating rural and regional development.

Whilst QFF considers that the cost of water reforms will result in more prudent use of a scarce resource, some of the requirements are proving very difficult to meet within a reasonable time scale. For example the need to complete Water Allocation and Management Plans (WAMPS) for catchments before further development can occur has virtually resulted in the State Government's implementation plan for water resource development being brought to a standstill. Moratoriums on development are in place in 75% of the important agricultural regions. These are likely to be in place for up to 4 years. This has caused great frustration for primary producers

wanting to stabilise their enterprises following one of the worst periods of drought ever experienced.

SOUTHERN AUSTRALIAN MINDSET

In dealing with Commonwealth Government agencies and instrumentalities rural industry in Queensland has found that certain attitudes and agendas are brought to bear which may be appropriate for irrigation schemes in Southern States but which are quite inappropriate for Queensland and probably for Northern Australia as a whole.

In NSW and Victoria water resources in many catchments are heavily over committed and severe environmental problems such as salinity have emerged. The situation in this State is quite different as significant resources remain under utilised in a number of the large river systems. As an example the evaluation of the Nathan Dam proposal on the Dawson River has established that an additional 1.1 million megalitres can be made available to agriculture, mining and power stations after allowing for adequate environmental flows. Rigorous economic evaluation has established very adequate returns from a national standpoint. Any new developments will be required to satisfy demanding environmental impact assessments and it is therefore highly unlikely, especially given the advance in farm technologies, that environmental problems will occur.

QFF considers that the negative attitude adopted by the Federal Government and its agencies towards water development are inappropriate for Queensland and result in lost opportunities for regional development. QFF believes that the Commonwealth should recognise that different parts of Australia have reached different stages in the development of water resources and that their financial and policy reponses in relation to water resources development should be designed accordingly.

CONCLUSIONS AND RECOMMENDATIONS

Given the high degree of climatic uncertainity which impacts on both primary producers and indirectly on associated businesses in country centres, irrigation is seen as virtually the only way in which rural industry can stabilise production of major products such as sugar, cotton and fruit and vegetables.

Investment in water resource development also has a strong impact on the level of economic activity in rural and regional centres which service irrigated areas.

The Queensland Department Of Natural Resources has established that under utilised water resources are available for development in many catchments in the State. A Task Force has confirmed that there is a very strong demand for additional supplies for a range of development purposes. In response to these proposals for water resource development successive Queensland Government have committed themselves to a $1 billion development program over a 15 year period.

For reasons that are not altogether clear the Commonwealth Government has apparently turned its back on assisting the State Government with financing this program of water resource development.

COAG reforms will result in better use of Australia's water resource in the long term. Unfortunately some of the requirements of the reforms such as the need to prepare WAMPS before further development can occur, have caused great uncertainty and frustration for rural industry with anticipated delays of up to 4 years.

The Federal Government and its agencies have developed a mindset in relation to water resource development which is heavily influenced by problems in catchments in NSW and Victoria due to over committed resources and environmental difficulties such as salinity. Policies which are appropriate to handle such situations are not appropriate for Queensland where under utilised resources exist and where modern technologies and government requirements will ensure that production systems are sustainable and that the needs of the environment are met.

If the Commonwealth Government are serious about pursuing rural and regional development they should be prepared to recognise that Queensland, and Northern Australia as a whole, have considerable potential for water resource development and be prepared to provide appropriate assistance.

It is accordingly recommended that:

1 The Commonwealth Government recognise the importance of water resource development in Queensland and the contribution which it makes to regional and national development by equally sharing the financing of new projects with the Queensland Government and with industry.

2 The Commonwealth Government and its agencies be asked to review their approach to the development of water resources in Queensland to ensure that policies targeting over committed resources and adverse environmental impacts in NSW and Victoria are not applied in appropriately in this State.

3 Commonwealth agencies adopt a positive and co-operative approach in dealing with State agencies seeking to undetake sustainable water resource development projects in Queensland.

4 The Commonwealth and Queensland Governments be asked to establish a working party to explore ways in which COAG reforms can be implemented without bringing water resource development to a halt for an extended period.

5 The Commonwealth be asked to review the allocation of funds through the appropriate Research and Development Corporations to ascertain whether the special needs of irrigated agriculture in sub-tropical and tropical areas are being adequately addressed.