



21 November 2002

Mr Andrew Brien
House of Representatives Standing Committee on Agriculture, Forestry and Fisheries Inquiry - Provision of Future Water Supplies for Australia's Rural Industries and Communities
Parliament House
CANBERRA ACT 2600

Dear Andrew,

Attached is a copy of the QFF Submission to the abovementioned House of Representatives Inquiry. A copy has also been sent by email.

QFF would be happy to answer any questions regarding the Submission or to make a formal presentation to the Inquiry.

Yours sincerely

[Handwritten signature of Brianna Casey]

Brianna Casey
Executive Director

Secretary: [Handwritten signature]
RECEIVED
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Emailed 25/11/02

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**Submission by Queensland Farmers Federation to the House of  
Representatives Standing Committee on Agriculture, Forestry and Fisheries  
Inquiry**

**The provision of future water supplies for Australia's rural industries and  
communities**

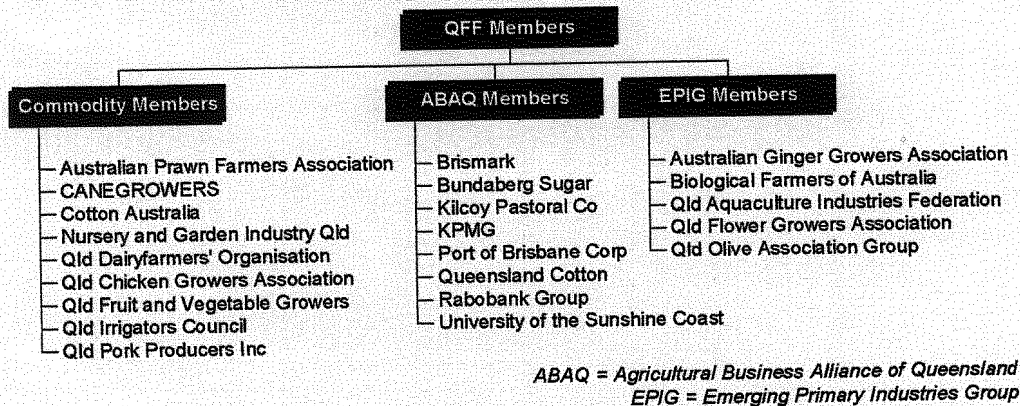
**Brisbane  
November 2002**

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## Introduction

Queensland Farmers' Federation (QFF) is the peak rural industry organisation in Queensland, representing more than 18 000 primary producers across the State through 23 diverse member organisations. QFF is a federation of the major rural commodity organisations and value adders, working to resolve common issues within the State and beyond. The structure and current membership of the Federation is outlined in Figure 1.



**Figure 1. QFF Structure and Membership**

QFF strongly supports and advocates sustainable farming practices, and recognises the need for protection of environmental values through the sustainable use of natural resources. Approximately 87% of Queensland's 1.7 million square kilometres is devoted to the production of food, fibre and foliage. Ensuring the sustainable use of Queensland's natural resources will maintain this viable industry into the future.

The House of Representatives Standing Committee on Agriculture, Fisheries and Forestry is inquiring into the provision of future water supplies for Australia's rural industries and communities, particularly:

1. The role of the Commonwealth in ensuring adequate and sustainable supply of water in rural and regional Australia.
2. Commonwealth policies and programs, in rural and regional Australia that could underpin stability of storage and supply of water for domestic consumption and other purposes.
3. The effect of Commonwealth policies and programs on current and future water use in rural Australia.
4. Commonwealth policies and programs that could address and balance the competing demands on water resources.
5. The adequacy of scientific research on the approaches required for adaptation to climate variability and better weather prediction, including the reliability of forecasting systems and capacity to provide specialist forecasts.

This Submission deals with items 1 and 5 separately and items 2 to 4 together.

## **The role of the Commonwealth in ensuring adequate and sustainable supply of water in rural and regional Australia.**

CoAG set the policy framework for water reform in Australia in 1993 which includes:

- Water property rights and trading:
  - Secure allocations of water for the environment,
  - Separate water property rights from land title and clearly specify these entitlements in terms of ownership, volume, reliability, transferability and if appropriate quality and,
- Trading in entitlements including interstate trading where feasible.
- Full cost, consumption based pricing
- Investment reform – investment in new rural water supply schemes, or extension of existing schemes, only if economically viable and ecologically sustainable.
- Institutional reform – the adoption of integrated water catchment approach; separating the roles of water resource management, standard setting and regulatory enforcement; and further development of interagency performance comparisons.

The role adopted by the Commonwealth Government for this reform agenda has been one of developing the policy framework with the States and using the National Competition Council (NCC) to monitor implementation of the reforms by the States and to recommend upon competition payments.

While QFF fully understands and supports the sovereignty of State Governments in regard to development and implementation of policy on water, there are deep concerns that the Commonwealth Government role has been too 'removed' during policy development and now implementation phase of the reforms.

The following issues are raised to support this assertion.

- There has not been support from Federal and State Governments to ensure that there has been adequate explanation and debate on fundamental aspects of the water reform agenda in wider forums than around the COAG table. The current policy debate over water property rights is an example of this. There are similar core policy issues in regard to pricing reform and the scope and application of science that may also require wider debate at a national, state and local level. It is not the role of the NCC to conduct such a debate, however, this organization was and is in a position to identify areas that warrant policy clarification/debate in wider stakeholder forums to ensure that both Governments and stakeholders and the regional communities understand and develop a capacity to address the reforms.
- While implementation of water reform is at a very early stage in Queensland, QFF has deep concerns that there are not adequate arrangements and resourcing in place by the Federal and State Governments to engage farmers in the reform process and assist them to implement the reforms on their farms. The focus of reforms has been and continues to be at statewide and catchment level. There has yet to be a realistic appraisal of efficient and effective means to implement reforms and the likely resourcing requirements and time needed for implementation.



- Water reforms have focussed on environmental needs and existing access to water supplies for industry and communities. Moratoriums on future development are in place in most major catchments and in some cases these moratoriums are more than 4 years old. Consideration must be given to the development of water resources at a catchment and farm level within the constraints set by reforms.
- Additional natural resource management reforms (i.e. vegetation, salinity and water quality, reef) have been introduced at the national level but a framework has not been developed to assist with the integration of these reforms. It is becoming increasingly difficult to conduct water reform within this fragmented natural resource management reform agenda.

National water reforms are complex and will have long term implications for farming. It is important for the Commonwealth to work with the State Government more closely to examine ways for both levels of Government to facilitate implementation of the reforms. Options that should be considered include:

- Raising awareness and debate on core elements of the water reforms within rural industry and communities not just within governments eg property rights, scope and application of science, water pricing issues and practicalities of implementation, water reform compared with other natural resource management reforms
- Encouragement for policy research and development involving governments, industry and communities provided that there is adequate awareness/understanding of the issues involved.
- Preparation and implementation of effective strategies to engage key stakeholders to assist them with the implementation of reforms.
- Realistic appraisal of resourcing and time required to implement reforms.
- Planning for development of water resources
- Planning for the integration of natural resource management reforms

## **Commonwealth policies and programs - stability of storage and supply of water for domestic consumption and other purposes, impact on current and future water use in rural Australia and addressing and balancing competing demands for water.**

There are four significant issues regarding Commonwealth policies and programs that affect access to and use of water supplies by Queensland rural industries and communities now and in the future:

- Achievement of accepted specifications of water property rights and implementation
- The cost of access and use of water resources
- Planning and support for the development of water resources
- Conduct of water reform as part of a fragmenting natural resource management reform agenda

### **Water Property Rights**

The Council of Australian Governments' strategic framework for water reform required State Governments to 'implement comprehensive systems of water allocations or entitlements backed up by separation of water property rights from land title and clear specification of entitlements in terms of ownership, volume, reliability, transferability and, if appropriate, quality.'

Achievement of accepted specifications of water property rights must be assessed having regard to 'the institutional and regulatory arrangements used to define, allocate, administer, monitor and enforce water rights'<sup>1</sup>

At this stage, only legal and institutional frameworks and planning to allocate water are substantially defined. Other aspects of the administration of water rights are yet to be finalised and implemented at the local level. In particular, rural communities have yet to address the risk of the reforms to farming and rural economies, environmental and social conditions, and how they may appropriately manage and mitigate these risks.

Farmers are seeking the following to reflect the qualities of a water property right defined by COAG:

- a. Fixed shares of the water resource issued with a defined yield (long-term volume) and reliability of supply (an extraction rate).
- b. The tenure of the shares to be in perpetuity to provide the necessary security for farm planning and development and financing.
- c. Government to compulsorily acquire shares (as a last resort) that are diminished in any way (other than through seasonal variability or long term climatic change) by the introduction of water plans or the review of those plans. Preferred alternatives to compulsory acquisition include joint industry and government programs to improve water efficiency and/or the voluntary buyback of entitlements in the market place.
- d. Trading arrangements to be well defined with constraints on trading to be minimised.

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<sup>1</sup> Productivity Commission, *International Benchmarking of Water Right Arrangements – Project Outline*, May 2002

Calls for perpetual tenure and compulsory acquisition reflect the concerns farming communities have with the planning processes to allocate water to the environment and about the regulatory requirements that affect those rights. These issues include:

- Planning to allocate shares in the water resource addresses only the 'take' of water from streams or other water supply sources. Other factors such as land clearing and riparian management are not addressed.
- The scarcity of scientific knowledge on which catchment plans are based raises concerns about:
  - the accuracy of ecological condition and trend assessments and the derived catchment flow targets
  - the adequacy of strategies to reduce the risk of longer term ecological impacts
  - the adequacy of monitoring and assessment programs
  - the possibility of substantial revision of flow targets necessitating a further diminishment of water shares at plan review.
- Any defined and transparent process for the comprehensive assessment of the social, economic and environmental costs and benefits of catchment water plans is lacking.
- Farmers and their communities don't have sufficient opportunity to engage scientists and planners when targets are being set and strategies are being developed for reducing ecological impacts.
- Responsibilities applying to the use of water shares and other natural resources have not been fully addressed. It is not clear how farmers could improve their on-farm environmental performance or how they can be sure that these efforts would improve environmental conditions at a catchment level.
- The increased costs farmers will bear to access and use natural resources during the term of the water plans is not defined.

At this stage it is too early to assess other aspects of the implementation of water rights, including the issue of new rights, changes to existing rights, the transfer of rights between users and monitoring and enforcement.

All of these issues substantially increase the commercial risk of farming, particularly where the water resource plans require a reduction of entitlements. Farmers and rural communities need to have the opportunity to 'engage' the reforms and address how the risks imposed by the reforms may be managed and mitigated.

Overall, there is a lack of certainty and security about farming during, and following, the implementation of water and other natural resource management reforms. As a result, rural industry and farming communities remain reactive and unwilling to make a commitment to actively participate in the reforms by investing in better natural resource use and management practices.

The following is not QFF policy.

To address these concerns, it is proposed that State water planning arrangements need refinement to deliver the attributes of the water property right in two distinct stages:

- Establishment of a water property right
- Implementation of a continuing water property right

It is proposed that a water property right would be *established* once:

- Fixed shares of the resource are issued with defined yield and reliability of supply.



- The shares can be used as collateral to secure financial dealings.
- The ability to transfer is part of the right and the rights to transfer are defined.
- The plans providing for the establishment of the fixed shares:
  - confirm the term of the plan to review.
  - define transitional arrangements, if required, to establish the fixed shares issued under the plan. These arrangements should be developed in accordance with a nationally defined 'Transitional Planning Procedure'.

A *continuing* water property right could be established at each plan review once:

- Fixed shares of the water resource issued under the plan being reviewed are confirmed.
- Conditions of use of the fixed shares of the water resource are defined in accordance with regulation and/or industry defined and approved alternative compliance arrangements.
- The shares including conditions of use can be used as collateral to secure financial dealings.
- The ability to transfer the fixed shares of the water resource is part of the right and the rights to transfer are confirmed. Conditions of use would not be transferable with the shares.

A *transitional planning procedure* to establish a property right could be invoked where environmental flow conditions cannot be met without reducing existing water allocations or where water resources in an area have been over allocated. This procedure must allow affected farmers and their communities and other relevant stakeholders to understand and address the following:

- The key issues being examined in the preparation of the draft water allocation plan, including:
  - definition of the key attributes and characteristics of a healthy working river based upon verification of catchment hydrology and assessments of the current ecological condition.
  - assessment of future ecological condition and trends.
  - assessment of viability of strategies to reverse or lessen future trends in ecological condition.
  - assessment of river health monitoring and risk assessment frameworks for determining future ecological condition.
- Assessment of the costs and benefits of the impacts of draft plan prepared by the State Government, including:
  - identification of parties that are affected.
  - assessment of the impacts on affected parties.
  - assessment of how impacted parties value costs and benefits.
  - determination of the costs and benefits that can be quantified or that require qualitative assessment.
  - assessment of overall community impact.
- Preparation of a structural adjustment plan and investment program to address assessed impacts guided by the following principles<sup>2</sup>:
  - alignment of adjustment proposals with the objectives of the plan.

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<sup>2</sup> Derived from Investment Principles defined in *An Agreement between the Commonwealth of Australia and the State of Queensland for the Implementation of the Intergovernmental Agreement on a National Action Plan for Salinity and Water Quality*.

- the cost-effectiveness and return on investment measured against plan targets.
- funding contributions commensurate with public and private benefits accrued.
- innovative strategies that encourage change in water access and use.

Some transitional arrangements for seriously over-allocated catchments could take some time to implement. This period may extend beyond the term of the water plan. The lack of defined procedures to address transition is a significant impediment to the implementation of water reforms.

State Governments and industry must also work closely to define and implement *conditions of use* as part of the continuing property right to give farmers some certainty about how they may use their water allocations sustainably. The aim should be to minimise Government regulation and put in place voluntary property management planning as an alternative to regulatory compliance to encourage farmers to address how the risks imposed by the reforms may be managed and mitigated. Governments should assist industry/farmers with the development and implementation of the voluntary property management plans to help progress implementation of reforms.

To summarise, amendments to State legislation are required to allow for:

- Defined transitional planning procedures.
- The recognition of defined conditions of use established by regulation and/or industry alternative compliance.
- The 'roll-over' of fixed shares of the water resource and defined conditions of use at plan review, provided plan outcomes are being achieved.

With legislative backing of this nature, industry would have confidence to progress the development and implementation of voluntary property management plans based upon continuous improvement principles and industry driven monitoring and compliance arrangements. Governments should ensure that these plans meet defined minimum performance standards and implement their own compliance systems to monitor and assess farmer/industry performance.

While these arrangements will be the core of any joint Government/industry program to encourage the adoption of sustainable practices on farms, it may be necessary to implement other incentives to improve delivery of such a program at regional and local levels.

### **Cost of Access to and Use of Water Resources**

In response to COAG requirements for rural water for prices to cover at least operating and maintenance costs of schemes, the Queensland Government put in place price paths for all irrigation schemes and projects in late 2000. These price paths will see the achievement of the COAG requirements for most schemes by 2004-05.

QFF has raised concerns that the price paths were not adequately explained and considered by scheme customers before they were put in place. There was no formal process for irrigators or for that matter other stakeholders to make submissions and have these reviewed.

In addition, irrigators across the State have voiced concerns that the 5-year price paths do not accurately reflect the efficient costs of supplying water to each scheme because:

- They were developed based upon limited scheme cost data and central office costs of a government agency.
- Allocation of central office costs across the schemes and benchmarking to assess 'efficient' costs was primarily based on 'desk top' estimation of the level of charges required to provide a revenue stream that would sustain a corporatised agency of Government given defined reductions of Government subsidy.

There is the added problem that the Government did not seek to encourage local management of irrigation schemes. While provision was made for schemes to lodge submissions for local management in the first 12 months there was no effort made to work with or provide support for schemes showing an interest in investigating local management.

In response to these issues, it has been agreed by both Government and industry to have focussed discussion involving Government, peak industry and local water customers this year to improve understanding of current rural water pricing for SunWater customers leading to rural water policy development and subsequently the determination of scheme specific pricing by the end of 2004. A program of workshops with local water customers will now proceed up to Christmas and in the early part of the new year.

The Queensland Competition Authority review of the return on capital component of the 5 year price path for the Burdekin River Irrigation Area has also just been released and will be considered as part of the workshops. The draft report deals specifically with:

- Capital contributions that may have been made by irrigators, Commonwealth and State Governments or other parties
- The appropriate rate of return assessed on estimated future returns and future expected risk.
- Whether the current price paths include any excess return on capital
- Circumstances that it would be appropriate for an entity to charge a positive rate of return on scheme assets.

Issues that QFF would expect to be raised at the workshops and subsequent policy review include:

- The need to consider the full history of the planning and development of each scheme to take adequate account of the implications of past policy and project planning requirements for the implementation of new national water pricing requirements.
- The efficiency of operation and maintenance of schemes
- The method of assessment of the value of scheme asset base and a review of asset valuations for each scheme taking account of:
  - The adequacy of the method used to take account of excess capacity, over-engineering, sub-optimal design and construction and poor location.
  - Alternative valuation methodologies such as cost or valuation based approaches could have been applied to the scheme.
- An assessment of capital contributions, if any, made by irrigators, the Commonwealth, State Government and other parties to establish as clearly as possible how capital contributions should be treated for the purposes of determining prices for each scheme.
- The validity of charging a rate of return for each scheme given past policy determinations and the nature of government investments for water infrastructure development. Any rate of returns assessed as necessary must be determined on a project by project basis.



- The impact of water prices (short and/or longer term) on farm businesses and rural industries in scheme areas. These impacts need to be assessed and plans developed as to how they will be addressed.

A lack of clarity and understanding of these issues in rural Queensland is impacting negatively on rural industry's current and future use of water.

An area of significant uncertainty in regard to future prices is also the cost of water regulation and associated natural resource management. It is expected that rural industry will be required to meet the cost of centralised but uncoordinated regulatory structures established without adequate consideration of the role that industry could play to minimise government regulation and administrative burden.

## **Planning for the Development of Water Resources**

It was expected that the Water Resource Plans being progressed in many of the major State catchments were to address not only the current environmental flow needs and existing water allocations but also projected water needs and/or priorities for urban, industrial, rural and environmental purposes.

These catchment plans are identifying that there is still significant opportunity for future water development throughout the state. However, the analysis of economic and social issues in the current plans is limited to broad assessments of the impacts of the adoption of environmental flow conditions. There is little opportunity provided to communities to weigh the environmental, economic and social outcomes during the preparation of the plan. Water users in catchments such as the Barron and Pioneer point out that this deficiency is compounded by the fact that the plans do not provide adequate information on future development options for water which would allow communities to make choices for the future in regard to environmental, economic and social issues.

The Queensland Government released a State Infrastructure Plan in 2001 that identified the water resource planning process under the Water Act as providing the framework for water development planning as part of the State plan. It would appear that the first generation statutory plans will, at best, only define unallocated water once environmental and existing consumptive needs have been identified. Water development planning will most likely be conducted following the water resource planning process on an, as needs basis, and not in accordance with an adequate state wide framework. For example the Fitzroy Water Resource Plan broadly identified an unallocated water parcel in the Isaacs Connors and Lower Fitzroy. It is expected that the current concern over the failure of the Gladstone area water supply for industry due to the drought will prompt an urgent planning effort to secure water for future development in the Rockhampton and Gladstone areas.

Water resource planning to address environmental issues has taken priority and there is now a significant lag in the planning required to address future development. The implications of this lag are significant and include:

- It is unlikely that trading markets can adequately function in areas where there is no plan for the release of identified future allocations. Future water development planning must assess the impact of the release of new allocations on trading of existing allocations and ensure that the water market is well informed on proposed development.



- The grant new allocations in a catchment can only be made after there has been a full assessment of all options to meet identified water supply needs (e.g. the capacity for needs to be met through existing infrastructure, the market in transferable entitlements, demand reduction and water use efficiency initiatives and options for development of new allocations – instream and/or on farm development). It is difficult to see how all of these issues will effectively be addressed unless through some defined staged planning process.
- The thrust of water reform through trading and future development is to move the resource to its highest and best use. It is unlikely that purely market forces will achieve this objective. There is a need for a timely and transparent process to identify water supply needs and strategies to address those needs (including the grant of new allocations where appropriate) that will result in the highest value outcomes for the community.
- There is no definition of a planning process, which will help all stakeholders in the water market (i.e. governments, water service providers, private developers and water users) to determine how projects may be initiated and progressed. In particular it is not clear what the role of governments are in strategic planning for water resource development. Is there an identifiable public benefit in governments undertaking strategic investigation of water resource development?

To summarise the issues are as follows:

- Future water development should be considered as part of the water resource planning process to give some balance to this process, which is now heavily focused on the environmental issues. In this regard, the water resource plan should define:
  - Spare water for development
  - Priority needs and time frames for planning of the release of allocations to meet priority needs
  - A planning program for spare water including sequencing of the various subsequent planning processes
- An open and staged water planning process should provide opportunity for State interests in water development to be addressed in conjunction with local industry and community needs. This process should provide for:
  - Preparation of a state water plan to address water development
  - Rural water infrastructure development planning and funding including specific capacity to facilitate project planning and development
  - Industry and government involvement in the planning and development of water supply assets
  - Development of a list of priority projects and updating and reporting of the list on a 6 monthly basis
  - Review of the water resource planning process to provide clearance for priority projects
  - Communication/liaison with public and private sectors on water development policy and projects.
  - Development of policy and guidelines to define the role of government in the process of strategic water planning/guidance that clearly separates this responsibility from commercial investigation.

## **Fragmentation of Natural Resource Management Reforms**

Water property right proposals addressed in this submission do not deal with the implementation of vegetation, salinity and water quality reforms by water access entitlement holders.

Australian Governments and rural industry must address landscape-scale change in the sharing, use and management of natural resources over the next 10 years, and beyond, in order to achieve healthy ecosystems and profitable farming. Water access and use is only one of the resource management issues that is being addressed.

The wider natural resource management reforms within which water reform is proceeding complex as it involves a number of staged reform initiatives (such as water, vegetation, salinity, reef) being implemented through different planning and management processes which are not well integrated (some are legislated and some are based on adaptive models) by many government agencies that are not well coordinated at this stage.

The reforms have been driven from a national and state perspective focusing initially on broad policy frameworks and catchment wide plans. Farmers and local and regional communities find these frameworks and plans difficult to interpret let alone respond to.

The time frames for the development of policy frameworks and plans are continually extending and are not clear, yet there is insufficient time made available to assess and explain the changes required by the reforms at the local level.

The complexity and fragmented nature of the natural resource management reforms makes it difficult to answer the following questions being raised by farmers and their communities:

- How are farmers' rights of access to, and use of, natural resources likely to change with the implementation of reforms? If these changes reduce accepted rights of access and use, does the community share some responsibility for these impacts?
- How can science be improved to provide better assessment of not only the need for reform but also the quantum of change required at a regional and local level?
- How can farmers improve their on-farm environmental performance to achieve adaptable and sustainable outcomes?
- How can farmers be sure that their efforts on-farm will improve environmental conditions at catchment and regional levels?
- How can farmers make better use of the available natural resources (once environmental requirements are determined) to improve business performance?
- What will it cost farmers to access and use natural resources? What are the implications for farm viability?

To answer these questions stakeholders, including governments, industry, conservationists and regional and local communities, must work together to address strategic natural resource management issues within an agreed framework, which includes:

1. Integration of natural resource management reforms within policy and planning frameworks.
2. Revised policy to address farmers' rights of access to natural resources, together with their obligations regarding the use of these resources.
3. Development and implementation of regional natural resource management plans.

4. Delivery of a farm based, best management practice programs, in stages, by rural industry as an alternative to compliance with regulatory requirements.
5. Development and implementation of programs to progressively improve the science underpinning reforms.
6. Development of strategic and farm level strategies to address ongoing development and use of resources.

Commonwealth and State Governments could provide leadership for this work through a national plan for the integration of natural resource management planning. It is expected that this plan would bring existing National Action Plan arrangements within a wider natural resource management framework.

## **The adequacy of scientific research on the approaches required for adaptation to climate variability and better weather prediction.**

QFF has not undertaken any detailed assessment of this topic, however, the current drought is raising particular problems which may warrant some consideration under this terms of reference.

Water and other natural resource management reforms aim to improve access to and management of natural resources for a continent that faces significant variability of climatic conditions but drought poses special problems for farmers. Management of drought needs to be given special consideration in the development and implementation of natural resource management reforms. The following issues warrant attention:

- The nature and impact of the reform process
- Change to on-farm practice
- Planning and development of water resources

The natural management reform process is policy driven focusing initially on broad policy frameworks and catchment wide plans. These frameworks and plans do not adequately take account of local farming and environmental conditions. It is expected that it will take some time before reforms are 'localised' using local research and practical measures to implement this research. There is some concern that this may not happen and that the reforms will continue to be dominated by wider statewide and catchment priorities.

The water and other natural resource management reforms should put in place measures to enable farmers not only to manage their farms more sustainably but also to make more effective and efficient use of natural resources. It is expected that these measures will assist farmers to manage climate variability better but consideration needs to be given to the science needed over the longer term that assist farmers to plan for and cope with drought.

There must be further development of water resources, which are not fully developed in many parts of the State to help rural and regional areas to cope with variable climates. There must be ongoing planning and development of these resources to give the State a better capacity to handle dry times. This does not mean that it will be possible to 'drought proof' the State. All future water development must be environmentally sustainable and developments must also have a capacity to be viable over the medium to long term. Governments will be required to assist with the establishment of these projects when costs and risks are high.

Opportunities for water development extend across all catchments and may involve:

- Development of instream options
- On farm storage
- Access to underground sources
- Improvements in water use efficiency which will allow increases in production with the same amount of water
- Access to wastewater and recycling



Scientific research must address these issues but it may be difficult to program such research unless water development planning becomes an integral part of the water reform process. At this stage water development planning seems likely 'to follow' the reform process.

QFF is not convinced that the current natural resource management reforms will build a better capacity to deal with climate change. With the implementation of these reforms, however, there could not be a better time to research and plan for a managed response to climate change, which takes account of the issues outlined above in addition to issues addressed in the rest of this submission.

Governments need to incorporate a strategic 'planning for climate change initiative' as part of the natural resource reform process. A research program would be an integral part of this initiative.

## **Conclusions**

### **The role of the Commonwealth in ensuring adequate and sustainable supply of water in rural and regional Australia.**

National water reforms are complex and will have long term implications for farming. It is important for the Commonwealth to work with the State Government more closely to examine ways for both levels of Government to facilitate implementation of the reforms. Options that should be considered include:

- Raising awareness and debate on core elements of the water reforms within rural industry and communities not just within governments eg property rights, scope and application of science, water pricing issues and practicalities of implementation, water reform compared with other natural resource management reforms
- Encouragement for policy research and development involving governments, industry and communities provided that there is adequate awareness/understanding of the issues involved.
- Preparation and implementation of effective strategies to engage key stakeholders to assist them with the implementation of reforms.
- Realistic appraisal of resourcing and time required to implement reforms.
- Planning for development of water resources
- Planning for the integration of natural resource management reforms

### **Commonwealth policies and programs, in rural and regional Australia that could underpin stability of storage and supply of water for domestic consumption and other purposes.**

### **The effect of Commonwealth policies and programs on current and future water use in rural Australia.**

### **Commonwealth policies and programs that could address and balance the competing demands on water resources.**

#### **Achievement of accepted specifications of water property rights and implementation**

- Commonwealth and State Governments need to define transitional procedures in catchment water planning to establish a water property right including intergovernmental cost sharing arrangements.
- State Governments should then review their water legislation to provide for:
  - Implementation of nationally defined transitional procedures in catchment water planning.
  - Recognition of defined conditions of use established by regulation and/or industry alternative compliance.
  - 'Roll-over' of fixed shares of the water resource and defined conditions of use at plan review, provided plan outcomes are being achieved.
- Commonwealth and State Governments should develop programs with industry to assist with the implementation of property management plans.

### **The cost of access and use of water resources**

- A lack of clarity and understanding of the following pricing issues in rural Queensland is impacting negatively on rural industry's current and future use of water.
  - The implications of past policy and project planning requirements for the implementation of new national water pricing requirements.
  - The efficiency of operation and maintenance of schemes
  - The method of assessment of the value of scheme asset base and a review of asset valuations for each scheme.
  - The treatment of capital contributions made by irrigators, the Commonwealth, State Government and other parties for the purposes of determining prices for each scheme.
  - The validity of charging a rate of return for each scheme given past policy determinations and the nature of government investments for water infrastructure development.
  - Assessment of the impacts of water prices (short and/or longer term) on farm businesses and rural industries and consideration as to how the impacts will be addressed.
  - The future cost of water regulation and natural resource management and the implications for future water prices

### **Planning for the development of water resources**

- Future water development should be considered as part of the water resource planning process to give some balance to this process, which is now heavily focused on the environmental issues. In this regard the water resource plan should define:
  - Spare water for development
  - Priority needs and time frames for planning of the release of allocations to meet priority needs
  - A planning program for spare water including sequencing of the various subsequent planning processes
- An open and staged water planning process should provide opportunity for State interests in water development to be addressed in conjunction with local industry and community needs. This process should provide for:
  - Preparation of a state water plan to address water development
  - Rural water infrastructure development planning and funding including specific capacity to facilitate project planning and development
  - Industry and government involvement in the planning and development of water supply assets
  - Development of a list of priority projects and updating and reporting of the list on a 6 monthly basis
  - Review of the water resource planning process to provide clearance for priority projects
  - Communication/liaison with public and private sectors on water development policy and projects.
  - Development of policy and guidelines to define the role of government in the process of strategic water planning/guidance that clearly separates this responsibility from commercial investigation.

### **Conduct of water reform as part of a fragmenting natural resource management reform agenda**

- Commonwealth and State Governments should develop a national plan to integrate natural resource management planning and programs. The plan should address:
  - Integration of natural resource management reforms within policy and planning frameworks.
  - Revised policy to address farmers' rights of access to natural resources, together with their obligations regarding the use of these resources.
  - Development and implementation of regional natural resource management plans.
  - Delivery of a farm based, best management practice programs, in stages, by rural industry as an alternative to compliance with regulatory requirements.
  - Development and implementation of programs to progressively improve the science underpinning reforms.
  - Development of strategic and farm level strategies to address ongoing development and use of resources.

### **The adequacy of scientific research on the approaches required for adaptation to climate variability and better weather prediction, including the reliability of forecasting systems and capacity to provide specialist forecasts.**

- Governments need to incorporate a strategic 'planning for climate change initiative' as part of the natural resource reform process. A research program would be an integral part of this initiative to support:
  - The implementation of reforms at the local level
  - Change to on-farm practice to address sustainable practices and to make more effective and efficient use of natural resources.
  - Planning and development of water resources to help cope with climate variability and change.