

# **AUSTRALIAN SENATE**

## **RURAL AND REGIONAL AFFAIRS AND TRANSPORT**

### **REFERENCES COMMITTEE** **LEGISLATION COMMITTEE**

## **INQUIRY INTO WATER POLICY INITIATIVES**

**November 2005**

**SUBMISSION BY:** Pioneer Valley Water Board

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### **INTRODUCTION**

This submission to the Australian Senate Rural and Regional Affairs and Transport Committees provides specific comments on the impact of the water legislation in Queensland on the functioning of a successful locally managed irrigation scheme and the steps required to ensure that the scheme remains successful under the National Water Initiative (NWI) driven water reforms.

The submission deals in detail with issues associated with water property titles and provides general comments on rural water pricing under the water reforms. We provide two key recommendations on these aspects of the reforms for the consideration of the Senate Committee.

We strongly urge all levels of government associated with water legislation to ensure that policies are clearly focused on maximising returns for all stakeholders including the environment, the general community and water users and are not simply used to maximise financial returns to governments.

### **BACKGROUND**

The Pioneer Valley Water Board is a statutory water authority in Queensland under the *Water Act 2000*. The Board was formed in 1996 to build and operate irrigation reticulation works as part of the Teemburra Dam Project and provide supply to 240 customers. This included the raising of \$18.5 million to finance construction of infrastructure including pump stations, pipelines and balancing storages to serve some 300 properties in the Pioneer Valley. Total irrigation water allocation in the Pioneer Valley Water Board Scheme is 47,390 megalitres per annum.

The up front industry funding for the scheme was provided through an \$11 million contribution from Mackay Sugar Cooperative Association Ltd and a Queensland Treasury Corporation loan to the Board of \$7.5 million. The Pioneer Valley Water Board operates on a full cost recovery basis and has structured irrigation water charges so that its five separate reticulation areas meet the cost of supply into each area. This has been done through a three-part tariff structure including a loan repayment levy, fixed operating charge and a usage charge. The loan repayment levy will be in place for a further 12 years until the Board's loans are paid off.

The Board's irrigation scheme draws water supply from the Pioneer River Water Supply Scheme which is controlled by the Queensland Government Owned Corporation, SunWater. Under the Queensland Government's water planning framework, a Resource Operations Plan for the Pioneer River Valley was released in June 2005. This now sees SunWater holding a Resource Operations Licence (ROL) for the Pioneer River Water Supply Scheme, the Pioneer Valley Water Board holding a Distribution Operations Licence (DOL) for its irrigation scheme and individual irrigators holding water allocations that require formal contractual arrangements under both the ROL and DOL. Further, operational arrangements under the Resource Operations Plan between the Board and SunWater also need to be formally recognised.

The Pioneer Valley Water Board and the water allocation holders in the area are now progressing the conversion of the Board into an irrigator owned co-operative. The conversion process for statutory water authorities is legislated under the *Water Act 2000* and is seen as the only realistic avenue for the Pioneer Valley Water Board's irrigation scheme to retain its viability.

## **PIONEER VALLEY WATER BOARD PRE NWI**

The Pioneer Valley Water Board and the irrigation scheme were established prior to the *Water Act 2000* in Queensland which is the legislation through which the NWI is being implemented. With water allocations attaching to lands within the Board's supply area, the scheme was established through Regulation under the then *Water Resources Act 1989* within a bulk water allocation regime. This enabled the Board to negotiate all operational arrangements for the scheme with the headworks operator, SunWater.

The bulk water allocation regime proved most beneficial for the area as it provided flexibility for individual irrigators with their water use and allowed the Board to maximise water availability for the scheme through temporary transfer of allocation arrangements and access to out of allocation supplies. Further, the establishing Regulation provided legal underpinning of the Board's role in approving dealings with water allocations (attached to land) that impacted on the scheme operations and particularly where delivery infrastructure issues became involved. Also the Regulation and the bulk water allocation provided security for the Board to raise the levy on irrigators to finance the \$7.5 million loan taken out by the Board to fund initial construction of the scheme.

## **WATER PROPERTY TITLES**

All policies in regard to the separation of water title from land title should recognise water title held by an end user as shares of a bulk water allocation for an irrigation scheme as an appropriate form of water property title.
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One of the key requirements of the NWI is for the separation of water allocation from land so that a separate market in water can develop and water is able to move to the highest and best use. This is fully supported by the Pioneer Valley Water Board and the irrigators in the scheme but raises concerns to ensure that separation and subsequent movement of water does not result in redundant infrastructure with significant debt remaining with the service provider for its construction.

The implementation of the Resource Operations Plan has seen the previous Regulation for the Board now removed and replaced with new arrangements. Prior to the release of the Pioneer Valley Resource Operations Plan, the Board with very strong support from irrigators lobbied the Queensland Government for the water allocation in the irrigation scheme on separation from land to move into a bulk water allocation regime. The principal reasons for this were to ensure that the financial viability of the scheme was not jeopardised in view of the significant outstanding debt in the scheme and to continue the operation of the scheme under the bulk water allocation situation that had been in place since formation of the area.

The Queensland Government advised us that, to meet their interpretation of the national water reforms, water allocations must be granted to individual end users. The Government further advised that following grant of allocations to individuals, those end user allocation holders were then free to determine if they desired their allocation to move into a bulk allocation regime. As mentioned previously, water allocations in the Board area have been granted to individuals, and the Board, still with a very high level of irrigator support, is moving from a statutory authority into an irrigator owned co-operative structure that will see legal entitlement to water allocation held by the co-operative and the equitable entitlement held by individual irrigators through shares in the co-operative.

In all other state jurisdictions where irrigation schemes have moved from a statutory basis to privatisation, the respective governments have issued water allocations in bulk to the new entity with individual water entitlement then held as shares in the entity. This has not occurred for our scheme and the requirement to now move from individual water allocations into the bulk co-operative allocation has presented significant complexities particularly with potential government duties and taxes associated with transfer of water allocation assets.

We would contend that the co-operative model for locally managed irrigation schemes has proven very successful in other states and has achieved some real positives in implementing water reforms particularly in the extremely dry periods that we are now experiencing. This is even more pertinent in small catchments where the physical movement of water allocation is very limited under market based trading and share trading within and to outside of a co-operative scheme can achieve the same outcomes as would individual water allocation trading.

We have worked with the National Water Commission in the development of our co-operative proposal and have incorporated their requirements into our structure to abide by the NWC requirement that no barriers to water trading result under the co-operative structure.

## **RURAL WATER PRICING**

Increases in water charges to end users due to implementation of NWI must be fully transparent to ensure that true intents of water reform are realised.
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A major concern with implementation of the NWI is the pressure now being placed on water charges to all water users to fund the significant costs of the reforms. There is no dispute that the NWI is a very integral step in achieving sustainable water resources for future generations but there exists a significant risk that the water reform process becomes an avenue for revenue raising by governments and service providers.

Rural water users are most exposed to this risk as the general community perceives the comparatively low water charges paid for agricultural use as very good reason for them to be increased significantly. There is no understanding that water is only one of numerous input costs for irrigated agriculture and that most agricultural producers are subject to income levels for their produce set on imbalanced world markets and to market pressure from consumers in the general community who very much oppose commodity price increases.

A major portion of the reform costs occurs at the local and catchment level where data collection, system monitoring and supply infrastructure operation all takes place. These are necessary functions as part of the planning and management of water resources to achieve the productive, environmental and social objectives of the reforms. These, and all other activities must be undertaken in a cost effective manner with stakeholder involvement at the local level to ensure the full benefits of the reforms are achieved. Transparency of the costs of all activities associated with the reforms must be mandatory to ensure these efficiencies.

Further, the separation of the functions of water delivery from that of regulation needs to be closely scrutinised due to the potential for considerable overlap and checking on checking to occur particularly in the monitoring and assessment areas of water resources in establishing sustainable development levels. The overlap could well see water users being asked to pay twice for the same work being done by the regulator and service provider. At this time there is a very real concern in Queensland that this situation is developing where the Government as regulator has announced the introduction of water resource charges to partially fund the costs of better water management and the major delivery agency SunWater is claiming that its costs are also increasing significantly due to implementation of the required water reforms.



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