

Submission to

**Senate Rural & Regional Affairs &
Transport Committee
Inquiry into Water Policy Initiatives**

December 2005

Ricegrowers' Association of Australia Inc.

PO Box 706

Leeton NSW 2705

Ph: 02 6953 0433

E-mail: dkerr@rga.org.au

Table of Contents

1.	Introduction.....	3
2.	The Australian Rice Industry	3
3.	RGA	3
4.	Terms of Reference	4
4.1	Development of water property titles.....	6
4.2	Methods of protection for rivers & aquifers	7
4.3	Farming innovation.....	8
4.4	Monitoring drought & predicting farm water demand.....	8
4.5	Implications for agriculture of predicted changes in patterns of precipitation and temperature.....	8
5.	Conclusion.....	8

1. Introduction

The Ricegrowers Association of Australian Inc. (RGA) welcomes the opportunity to make a submission to the Senate Rural & Regional Affairs & Transport Committee Inquiry into Water Policy Initiatives. The RGA views this process as important and builds on the previous work of the Senate Committee.

The RGA are concerned that the focus of this inquiry appears to be the impact on rural water usage of recent policy initiatives. This is a broad statement which could mean different things to different groups/individuals. Does rural water usage mean irrigated water usage or does this incorporate all water used in rural areas (irrigation, industrial, stock & domestic, towns). Impact also implies negative. However, there could be beneficial outcomes such as improved water trading markets.

The RGA will make comment on the areas of interest to the Inquiry and hopes that this may be of some assistance.

2. The Australian Rice Industry

The rice industry encompasses the Murray Valley of NSW and Victoria and the Murrumbidgee Valley of NSW. Typically, around 150,000 – 160,000 hectares are sown to rice in October of each year across this region producing an average of around 1.2 million tonnes of rice annually. The industry has a farm gate value of around \$350 million and total value (export earnings, value-added) of over \$800 million. Including flow-on effects, it is estimated that the industry generates over \$4 billion annually to regional communities and the Australian economy.

Rice growers have individually invested over \$2.5 billion in land, water, plant and equipment and collectively invested around \$400 million in mill storage and infrastructure through the Ricegrowers' Cooperative Limited (SunRice) and the Rice Marketing Board of NSW (RMB). The industry is the backbone for our regional communities generating around 21% of total regional income and 18% of total regional employment¹.

The rice industry has also invested significantly in environmental improvement and impact reduction as part of its efforts towards better natural resource management and environmental stewardship. The Rice Environmental Program's flagship is the Environmental Champions Program (ECP) which has received over \$1.8 M in funding from the Department of Agriculture, Fisheries & Forestry to implement a pilot program and roll out of the ECP.

3. RGA

The RGA is the collective voice of rice growers in Australia. RGA represents over 1600 voluntary members in NSW and Victoria on a wide range of issues.

As much of the Riverina region has been built upon rice, and rice is still the mainstay of many towns today, it is important that RGA members have strong and effective representation. RGA fulfils this role by representing and leading growers on issues affecting the viability of their businesses and communities. Importantly, the RGA also

¹ Leslie, D.G., Keyworth, S.W., Lynn, F.L., Magill, A.F. 1992, *Rice 2000 Project*.

looks to lead its members through a process of improved environmental management.

In so far as this Bulk Water Pricing determination is concerned, RGA members include regulated surface (both pumpers and gravity fed irrigation areas) and groundwater water sources.

4. Terms of Reference

Since the 1994 COAG Agreement, there has been an evolution of water reforms, culminating with the National Water Initiative (NWI) and The Living Murray Intergovernmental Agreements. Much of the 1994 water reform framework has been implemented and a new works program is underway for the NWI.

It should be noted that water management is the realm of the State Governments, with Commonwealth Government jurisdictional management via the tranche payment under the 1994 Agreement and the \$1 billion Australian Water Fund. The NWI are undertaking the final assessment of the States compliance with the 1994 Water Reform agenda. In future, funding available under the Australian Water Fund will target investment in water infrastructure, improved water management, and better practices in the stewardship of Australia's scarce water resources. The Fund will support practical on-ground water projects that will improve Australia's water efficiency and environmental outcomes².

The RGA does express some reservations about the ability for the Australian Water Fund to deliver its objectives. Of note, is that many of the projects approved relate to urban water. The National Water Commission (NWC) is undertaking workshops specifically to address the void of irrigation specific proposals. However, this may have been assisted by appropriate consultation with the irrigation sector on the guidelines for each of the Water Smart Australia and Raising National Water Standards funds. The latter fund is especially of concern because this is specifically about better metering of water, and yet a proposal from NSW Irrigators Council specifically on this has not been approved.

The question remains as to what role the Commonwealth Government could play in the future with regard to the key interest areas of the Inquiry. Undoubtedly, the role of the Commonwealth Government is limited to the implementation of the NWI and Australian Water Fund. There has been interest and public comment that the Federal Government should take management of the nation's water resources from the States. However, the RGA does not support this move. In lieu, the RGA welcomes a period of stability from reform so that irrigators can establish their businesses in the context of the NWI. This is necessary to enable irrigators to invest in their businesses and be profitable.

In the meantime, the Commonwealth Government must ensure that the State Governments implement the NWI as agreed, in its entirety (i.e. not selective implementation) and with the required community consultation with stakeholders. To date, this consultation process has been poorly managed and Governments and stakeholders appear to have quite divergent views on what constitute appropriate consultation. As an example, following months of delay, the NSW Government listed

² NWC website www.nwc.gov.au

the Draft Implementation Plan on the NSW Department of Natural Resources website and allowed stakeholders only eight days with which to make comment on a lengthy but important document. This is clearly insufficient. The RGA written to the NSW Minister about its concerns but has not received any comment regarding a more appropriate consultation time frame.

For too long, meaningful community involvement in making decisions about how we manage our natural resources has been lacking. Committees established by Governments in the guise of community consultation are not empowered to make real decisions, and Ministers' continue to override their recommendations.

Community involvement in natural resource management decisions must be based around active participation and not just the provision of information and tokenistic consultation.

Isolating communities from decision-making about natural resources causes angst, breaks down the potential for constructive and cooperative solutions and destroys local ownership and trust.

The Organisation for Economic Co-operation and Development (OECD) has developed a set of guiding principles to assist member countries (including Australia) to strengthen their engagement with their citizens. According to the OECD, engaging citizens in policy-making is a sound investment and a core element of good governance.

Access to information, consultation and active participation in policy-making contributes to good governance by fostering greater transparency in policy-making; more accountability through direct public scrutiny and oversight; enhanced legitimacy of government decision-making processes; better quality policy decisions based on a wider range of information sources; and, finally, higher levels of implementation and compliance given greater public awareness of policies and participation in their design.³

Governments must agree to, and implement, a community engagement framework that encompasses the OECD⁴ guiding principles and ensures that:

- Information is complete, objective, reliable, relevant, easy to find and understand;
- Consultation has clear goals and rules defining the limits of the exercise and government's obligation to account for feedback and input; and
- Participation provides sufficient time and flexibility to allow for the emergence of new ideas and proposals from the community, as well as mechanisms for their integration into government policy-making processes.

A further area of concern to the RGA is the apparent lack of ability for the National Water Commission (NWC) to effectively force State Governments to comply with the agreed NWI. As an example, IPART are currently reviewing bulk water pricing regimes in NSW. Within the context of this review, there appears to be a lack of

³ OECD Handbook *Citizens as partners: Information, consultation and Public Perception in Policy-making*, OECD, 2001, p.13

⁴ Ibid, p15

cohesion around the definition of upper and lower bound pricing – with no clarification about what this actually means. In particular, State Water Corporation has included in its submission unconstrained pricing which is their version of full cost recovery within one year (see Table 1 below). How can any Government condone increases in customer bills at the level outlined in this table? This clearly is in contravention of the NWI and will result in perverse pricing outcomes (NWI, Cl. 64(v)).

% change from previous year						
TOTAL BILL	2006/07		2007/08		2008/09	
	HS	GS	HS	GS	HS	GS
Border Rivers	178.9%	112.2%	1.5%	1.5%	-5.4%	1.4%
Gwydir	265.5%	146.2%	1.9%	1.9%	-2.1%	4.5%
Namoi	144.1%	102.5%	3.4%	3.4%	-1.5%	5.3%
Peel	377.5%	102.0%	5.2%	5.2%	6.1%	18.5%
Macquarie	249.7%	117.0%	1.9%	1.9%	0.0%	6.9%
Lachlan	193.3%	58.5%	3.4%	3.4%	-0.1%	6.6%
Murrumbidgee	23.2%	-5.1%	1.6%	1.6%	2.5%	0.3%
Murray	84.4%	72.5%	6.0%	6.0%	5.1%	4.6%
North Coast	3979.2%	1196.7%	4.1%	4.1%	12.3%	-1.3%
Hunter	323.4%	132.6%	2.0%	2.0%	-1.8%	5.0%
South Coast	781.3%	484.3%	1.2%	1.2%	2.1%	-1.3%

Table 1: State Water Corporation Unconstrained Prices⁵

Another example is the attempt by the NSW Government to introduce a new level of ability for local water utilities (i.e. towns) to increase water allocations without purchasing this from existing licences – this negatively impacts of the long term yield of general security irrigation licences. In the Water Management Act 2000, irrigators strongly lobbied against this clause. The NSW Government has chosen to now redefine what is included in local water utilities, specifically processing industries. At the last minute, this clause was withdrawn from the amendments. Again, this action is at odds with the NWI which states that urban water users must look at all other options to improve water use efficiency. RGA is of the view that this also includes the purchase of additional water supplies for local water utilities.

In summary, the RGA supports the role of the Commonwealth Government in ensuring effective and judicious implementation of the NWI and to ensure that the future framework for water management in Australia results in an environment which supports continued investment in irrigated agriculture.

4.1 Development of water property titles

The NWI provides for clearly defined water property titles in the form of water access licences. The NSW Government has supported and in fact implemented licences in perpetuity prior to the COAG NWI being signed off. In addition, the recent amendments to the Water Management Act incorporated the risk sharing provisions of the NWI. The RGA applauds the NSW Government for its initiative and leadership.

⁵ State Water Corporation 2005, Bulk Water Pricing Submission to IPART, Vol 1, Table 10.7, Impact of unconstrained prices on customer bills (% change), p. 132

The final characteristic of water licences remains incomplete – that of indefeasibility of the property right. However, the RGA acknowledges that the NSW Government is working towards this requirement.

The method of implementing structural adjustment packages is of concern to the RGA. In the first instance, the Commonwealth Government treats this as income, and effectively will recoup any funds it pays out via tax. The RGA is of the opinion that these funds are asset reduction programs and as such should be treated as a capital item. Most egregious is the NSW Government's decision to impose a 10% discount rate to any asset reduction program. The RGA is at odds to define why this would occur. Surely if Governments are paying asset holders for reductions in that asset, then the full commercial value should be appropriately paid. This will allow those negatively affected to place their business in the same position prior to the changes becoming effective. It is also the view of the RGA that valuation protocols should be agreed to by the irrigation sector as current proposals will favour Governments and therefore not be neutral to those affected.

Whilst these discussions currently affect only groundwater irrigators in NSW, there is the potential to set precedents that will affect all irrigators in the nation. Clearly, as a nation, the right protocols developed up front will ensure that property rights are respected and that there is security for continued investment in irrigated agriculture – this country's most productive form of agriculture.

4.2 Methods of protection for rivers & aquifers

In NSW, there are a number of mechanisms to protect rivers and aquifers enacted via Water Sharing Plans and The Living Murray Initiative. These mechanisms include base flows and specific environmental water entitlements. In some instances implementation plans are being developed for managing environmental water.

The RGA has a number of concerns which include community consultation and that there are appropriate benchmarks to enable monitoring and audit and public accountability.

The NSW Government has also recently introduced a \$105 million package to purchase supplementary water licences from irrigators to enhance flows into wetlands. Whilst this is to be applauded, RGA does not support the recent Water Management Act amendments that allows for this water to be changed in nature. This will negatively affect irrigators by assigning different characteristics to the licence than occurs now. Supplementary water is by nature opportunistic and unregulated and in this form is what is required by such systems are wetlands.

To date, there has been little acknowledgement of the investments by irrigators in transferring water previously used for consumptive use to the environment without compensation. This includes the MDBC Cap, Water Sharing Plans and Barmah Millewa and other pre-reform commitments. In future, there will remain some transfer of water from consumptive use to the environment without compensation. This depends on the "classification" for the change, i.e. the agreed risk assignment provisions of the NWI.

4.3 Farming innovation

Incredibly, irrigated agriculture in Australia is seen as a negative farming option in a dry environment – and none more so than rice production. Elsewhere in the world, mention is not made of the concerns of irrigated agriculture.

Yet one only has to compare irrigated agriculture in Australia to the rest of the world to recognise just how efficient our farmers are. In particular, rice growers adopt available technology rapidly, such as GPS precision farming and satellite imagery for nitrogen testing of rice crops. The industry as a whole is technology minded, eg every rice grain goes through colour sorters, and there is significant investment in varietal development and GMO investigations.

Such investment can only occur in an environment that supports profitable businesses and provides the framework for continued investment. This has significant flow on benefits for regional and national economies.

4.4 Monitoring drought & predicting farm water demand

Australia has a climate which is typically characterised by floods and drought. Since 2002, Australia has suffered the worst drought on record – with inflows into the Murray system being the worst four year sequence in 114 years of records.

General security irrigators are aware that what they receive in terms of allocations each year, is dependant on the climate and run off conditions in the dam catchments. They are also aware that the environment, local water utilities and high security irrigators take precedence in accordance with Water Sharing Plans. Also now defined is a maximum extraction level, i.e. the Water Sharing Plans. These plans sit below the MDB Cap level and should ensure that the Cap is not exceeded.

In the future, the ability for irrigators to increase their on farm use of water will be dependent on on-farm water efficiency investments, improvements in production efficiency or the purchase of water.

4.5 Implications for agriculture of predicted changes in patterns of precipitation and temperature

The RGA, whilst recognising the current discussions on climate change, does not have a view that this will be a negative or instantaneous change. In many cases, irrigators will adapt over time to cope with the positive or negative changes that may occur. This is not a new operating environment and irrigated agriculture, as previously stated, adopts new developments, particularly technological. Therefore, if climate change does occur, no doubt there will be further developments in water efficiency or varietal development designed for lower water availability, which irrigators will adopt rapidly to ensure continued business viability.

The Commonwealth Government can show leadership by continued investment in research and development of appropriate tools and technologies.

5. Conclusion

The RGA sees a role for the Commonwealth Government in the future with respect to implementation of the NWI, appropriate community consultation mechanisms and continued development of appropriate research and development. The RGA is

positive about the future of irrigated agriculture and looks forward to working with all levels of Government to ensure a stable and secure future.

Deborah Kerr
Policy Manager
Ricegrowers Association of Australia Inc