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**NSW IRRIGATORS' COUNCIL**

**SUBMISSION TO THE**

**SENATE**

**RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE**

**INQUIRY INTO**

**WATER POLICY INITIATIVES**

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## 1. NEW SOUTH WALES IRRIGATORS' COUNCIL

NSW Irrigators' Council (NSWIC) represents more than 10,000 irrigation farmers and licensed entitlement holders across NSW. These irrigators are on regulated, unregulated and groundwater systems. Council's members include valley water user associations, food and fibre groups, irrigation corporations and commodity groups from the rice, cotton, dairy and horticultural industries.

Attachment 1 records the membership details of the NSW Irrigators' Council.

In responding to this Inquiry's Terms of Reference, NSWIC is representing the views of its members. However, each member reserves the right to make independent submissions on issues that relate directly to their areas of operation or expertise, or, on any other issues they may deem relevant.

NSWIC'S submission is supported by copies of its recent submissions to the Independent Pricing and Regulatory Tribunal, the National Water Commission's 2005 Water Reform Assessment Framework and the Council's response to the NSW National Water Initiative Implementation Plan. These submissions are presented at Attachment 2 and Attachment 3 and Attachment 4.

## 2. TERMS OF REFERENCE

The issues outlined in this Inquiry's terms of reference are wide-ranging and address contemporary water resource management issues currently under active consideration at the farm, regional, State and National levels.

Specifically, the terms of reference seek comments on:

"The impact on rural water usage of recent water policy initiatives and the possible role for Commonwealth agencies, with particular reference to:

- a. the development of water property titles;
- b. methods of protection for rivers and aquifers;
- c. farming innovation;
- d. monitoring drought and predicting farm water demand; and
- e. the implications for agriculture of predicted changes in patterns of precipitation and temperature."

## 3. ROLE OF THE COMMONWEALTH GOVERNMENT

In responding to this inquiry, NSWIC notes that the Commonwealth has no Constitutional role in the management of water resources in Australia. Therefore, the Commonwealth has no power to enforce any particular course of action that this Senate Inquiry might recommend.

While there are always opportunities for the development of Commonwealth industry policy initiatives that would stimulate investment, or, direct market behaviour in a manner that creates a paradigm shift in industry and community attitudes and actions, the Commonwealth's role is seen by NSWIC as one of influence and leadership through strategic

intervention in infrastructure investment, research and development and competition policy settings.

While NSWIC has an open mind on the possibility of the Commonwealth taking control of water resource management at some point in the future, the Council views this as a most unlikely outcome and does not consider it an option for serious discussion at this point in the water reform cycle.

The establishment of the National Water Commission and the Australian Government Water Fund is a demonstration of the way the Commonwealth can influence the pace and direction of water policy and investment in water efficient infrastructure.

NSWIC supports these two Commonwealth policy initiatives, on the expressed proviso that priority continues to be given to the productive use of the nation's water resources and that irrigated agriculture continues to be promoted and supported by the policies and programs managed by the National Water Commission and funded through the Australian Government Water Fund.

#### **4. RESPONSE TO THE TERMS OF REFERENCE**

##### **4.1 The impact on rural water usage of recent water policy initiatives**

By definition, this aspect of the terms of reference exudes negative connotations. NSWIC is and has been for many years, an active participant in the national water reform debate. Council's objective is to ensure licensed entitlement holders in NSW are able to continue to enjoy access to and the privileges of their water entitlements. NSWIC's support is focussed on securing sustainable water resource management in a manner that promotes the continued investment in the State's \$3 billion irrigated agricultural sector.

Water policy reform has been undertaken in the past 3-4 years against a backdrop of drought of record conditions in most of the State's major irrigation regions. This has tended to mask the long-term benefits of water sharing plans and other reform initiatives and instead been largely overshadowed by the industry's struggle to manage seriously low water allocations and other impacts of the drought.

NSWIC takes a long-term perspective of the water reforms that have been agreed and are now being implemented. Council is focused on the benefits to be gained from the reform process. NSWIC's members' glasses are half full, not half empty.

Certainly, there are many teething issues to be addressed and while these are to be expected, when placed in the context of the depth and scope of the COAG-driven reforms they are still capable of impeding the implementation and acceptance of the reforms and must be addressed by governments, both State and Federal.

Of particular concern to NSWIC is the 'selective' interpretation of and implementation of the National Water Initiative. Should this continue, this will result in industry being forced to fully comply with its obligations, while both the State and Federal governments lag with their commitments as agreed by COAG and articulated in the Intergovernmental Agreement on a National Water Initiative.

NSWIC has had a belated opportunity to critique the NSW Government's national Water Initiative Implementation Plan. The Council's comments on this Plan are provided at Attachment 4.

In NSW, the selective implementation of the National Water Initiative is best illustrated in the recent State Water Corporation pricing submission to the Independent Pricing and Regulatory Tribunal's 2006 bulk water price review. State Water proposed unconstrained price increases of up to 3,979%, which if applied, would see the demise of irrigated agriculture in both the north and south coastal regions of NSW and severely depress production in all other NSW irrigation regions. See Attachment 5.

This submission represents the NSW Government's one-sided and selected application of the National Water Initiative's full cost recovery principles. At no stage were community service obligations identified, at no stage were the implications for regional growth, industry development or national interest impacts analysed or identified. At no stage was an aggressive cost reduction or business efficiency strategy identified. The State Water submission simply represents a 'dash for cash' by the NSW Government under the auspices of the National Water Initiative.

There is, therefore, a clear role for the Commonwealth to balance the actions and activities of the States, to ensure that fairness and equity prevails as the National Water Initiative is implemented. NSWIC will reconsider its support for the National Water Initiative if it continues to be used as a vehicle to extract wealth from regional NSW in a manner that is not consistent with the treatment of all other sections of the community.

#### **4.2 Role for Commonwealth Agencies**

NSWIC supports the involvement of Commonwealth agencies in the development of policies and programs aimed at enhancing the management of the nation's natural water resources.

Numerous Commonwealth departments and agencies are active in water resource management issues. Their activities range across policy, research and development, education and extension programs and collaborative industry partnerships established to undertake investment in water efficiency projects, both on-farm and system-wide.

While supporting the role of Commonwealth departments and agencies, NSWIC has repeatedly expressed concern that some staff of Commonwealth agencies have engaged in both the development of scientific or policy arguments only to then enter the political debate as advocates for a particular outcome or course of action.

NSWIC is firmly of the view that there must be no mixing of these roles. If individuals wish to enter the political fray, then they must clearly state their conflicts of interest and undertake their advocacy role outside of the cloak of Commonwealth departments and agencies to which they are contracted or employed.

The departments and agencies that articulate and deliver the Commonwealth's involvement in water include but are not limited to:

- National Water Commission;
- Australian Bureau of Agriculture and Resource Economics;
- Bureau of Rural Resources;
- CSIRO - Water for a Healthy Country Flagship
- Land and Water Australia;
- Bureau of Meteorology
- Department of Agriculture, Fisheries and Forestry;
- Department of Environment and Heritage; and
- Australian Greenhouse Office.

In varying degrees, each organisation delivers on the issues being addressed by this Inquiry. NSWIC is concerned at the lack of co-ordination that is often apparent between departments and agencies and the tendency for duplication of effort between and amongst similar State-based organisations.

#### **4.3 The Development of Water Property Titles**

NSWIC fully supports the separation of land and water and the delivery of perpetual Torrens title equivalence for licensed water entitlements.

This process has been completed in NSW for licensed entitlements across 31 catchments, encompassing approximately 80 per cent, by volume, of the State's water entitlements.

In order to achieve the benefits of separate title, water sharing plans must be introduced within the relevant catchment. This occurred on 1 July 2004 in 31 regions across NSW. The remainder of the State's water entitlements will be progressively captured under 'macro' water sharing plan processes over the next 12-18 months. This is in line with the schedule agreed in the National Water Initiative.

NSWIC strongly supports the security that property rights have already and will continue to provide to entitlement holders. This security underpins production, investment and employment decisions made by individual entitlement holders, with flow-on benefits to regional communities that are critical to and dependent on the activities and output of the NSW irrigated agricultural sector.

Enhancing the property right are the compensation conditions within each water sharing plan and the risk assignment provisions of the National Water Initiative that apply on the roll-over of each water sharing plan.

The NSW *Water Management Act 2000* has been amended to give effect to both the perpetual property title and the National Water Initiative risk assignment principles.

#### **4.4 Methods of Protection for Rivers and Aquifers**

NSW has adopted water sharing plans for: the management of river systems; groundwater aquifers; and the allocation of water shares to the environment and extractive users.

The implementation of water sharing plans is well advanced in NSW. Thirty one gazetted water sharing plans were introduced on 1 July 2004. These plans relate to major regulated surface water systems and cover approximately 80 per cent of the State's water resources.

Water sharing plans for the 6 major groundwater aquifers have been gazetted but not yet introduced. These 6 groundwater systems are the subject of a major reform program aimed at reducing entitlements to sustainable yield levels. This reform program has been developed over the past 2 years and builds on the long-term review that has been underway in the Namoi region for a number of years.

The reform program is an equal three-way partnership between entitlement holders and the NSW and Commonwealth governments. The value of the program is approximately \$150 million, with both governments contributing \$55 million in cash for asset reduction payments to affected entitlement holders. A further \$9 million has been committed to fund a Community Development Program to assist small businesses directly impacted by the reduction in groundwater allocations.

The current status of this program is that valuations have been undertaken on the various components of groundwater entitlements in each of the 6 groundwater regions. These valuations will be used to allocate the \$100 million between the regions and will also clearly identify the real value of the reform program.

NSWIC groundwater members have expressed concern at a number of aspects of this program, namely:

- the imposition by the NSW government of a 10 per cent discount rate;
- the Federal Government's decision to tax, as income, the asset reduction payments; and
- some of the finer points of the valuation process that manipulate the outcome of the process in favour of the two governments.

NSWIC supports this reform program. Council's major objective is to see the maximum level of funds end up in the hands of those who need it most, that is entitlement holders' who stand to lose significant levels of entitlement and subsequently a loss of productive capacity in their business operations. Currently, the actions of both the State and Commonwealth governments have been designed to sneakily reduce the real value of this reform program by clawing back funds by way of discount rates and taxation.

In the Commonwealth's case, taxation claw-back will result in it making a very small effective contribution to this water reform program. This is not a particularly good demonstration of policy leadership and sadly demonstrates to industry that there is no real commitment to water reform by the Commonwealth and that from the Prime Minister down, Federal politicians are happy for regional small businesses and communities do the real heavy lifting in the implementation of the National Water Initiative.

NSW is implementing a 'macro' water sharing plan process for the remainder of the unregulated river systems in the State. NSWIC has concerns that this process is being undertaken in a shroud of silence, with very little information publicly available to support the

draft plans. These macro plans are being fast-tracked to meet COAG timelines, in deference to achieving a quality outcome which is NSWIC's primary objective.

On completion of these macro plans, there will only be a few systems in the State outside of the water planning process. These are in the politically tough metropolitan areas and some of the inter-state rivers.

NSWIC has actively participated in and supports the processes that were used to develop the 31 water sharing plans. Widespread community consultation was undertaken with all community interests invited to participate. The end result was marred, in many instances, by community plans being overridden by Sydney-centric bureaucrats, a move which disenfranchised many groups.

The NSW water sharing plans complement the State's commitment to the Murray Darling Basin Commission's (MDBC) CAP policy. The CAP has been applied to almost all relevant river systems in the State. One of the last systems to be included in the MDBC CAP is the Barwon-Darling River, where negotiations are well advanced on key outstanding issues.

With water allocations now clearly established for the environment and all other uses, the key focus must now be on ensuring that there are appropriate benchmarks established by which to measure and monitor the performance of each of water sharing plan.

NSWIC is seeking a leadership commitment from the National Water Commission to quickly establish national benchmarks that will ensure uniformity across all systems and across all States.

Benchmarks and reporting and monitoring standards must be established that record the condition of all systems at the commencement of a water sharing plan, for parameters such as:

- the condition of each river or aquifer;
- the condition of all relevant environmental assets;
- environmental water use outcomes;
- water quality standards;
- accurate metering and monitoring of water flows to all environmental assets;
- environmental water purchases and the management of this water asset; and
- environmental water trading activity.

The outputs from each of these benchmarks will build community confidence that investments in water sharing plans, environmental water and environmental water asset management are contributing to a healthy river environment and are providing good value for the money invested.

These outputs will also be the minimum required to evaluate the performance of these water sharing plans prior to their roll-over at the end of their 10 year lifespan. This will be crucial to determine the level of any future entitlement reductions and the levels of compensation that may be payable under the National Water Initiative's risk assignment principles.

The monitoring regimes established will also provide valuable input into consideration of climate change impacts and will also underpin future scientific studies into various aspects of water quality and river health.



Another area of environmental management that many NSWIC members are investing in are land and water management plans and environmental programs. These initiatives encompass water efficiency, environmental management, whole of farm and system-wide planning programs that address farm practices, business planning and investment decisions in a manner that is providing real and sustainable improvements in environmental outcomes and farm productivity. Two industry examples demonstrate irrigators' commitment, they being the rice industry's environmental champions program and the cotton industry's best management practices program.

#### **4.5 Farming Innovation**

NSW irrigators are at the forefront of global water use and productivity achievements.

Irrigated agriculture is one of the most dynamic and rapidly evolving agricultural sectors in Australia. Irrigators' are innovative in their management, production and investment decisions, which is evident in the rapid uptake of leading-edge technologies that improve the productivity of their farming and business operations.

Technologies that are now playing a significant role in the production and investment decisions include:

- Global Positioning Systems and precision farming technologies;
- Water use efficiency programs; and
- Real-time metering and monitoring of water use.

Plant breeding advances are also contributing to the environmental and productivity gains of the sector. Growing seasons are shorter, chemical use is being reduced and yields are at the leading-edge of global achievements.

Each of these areas of technological advancement are enhancing water use efficiency, building confidence in production decisions and contributing to the profitability of both the individual enterprise and the wider irrigation sector.

Programs managed by some Commonwealth agencies are contributing to these technological and production advancements. In particular, the CSIRO's Water for a Healthy Country Flagship is working very constructively with NSW irrigators to advance knowledge and uptake of water efficiency programs.

#### **4.6 Monitoring Drought and Predicting Farm Water Demand**

The past 3–4 years have witnessed significant declines in the levels of water allocations to NSW licensed entitlement holders. The worst case has been 2 years of zero allocation in the Lachlan Valley, while all other valleys have suffered major reductions in water allocations and subsequent reductions in productivity.

This is a direct reflection of the impact of drought conditions across much of NSW. Current conditions in NSW irrigation regions are an improvement on past years, although still well off 'normal' seasonal allocations and production levels.

NSW water sharing plans and water allocation decisions are managed and modelled using long-term data, in many instances sourced from records collected over many decades. While no amount of modelling can predict the timing or extent of drought or seasonal conditions, these models do have a role to play in managing policy and management responses to drought conditions.

NSWIC acknowledges the gains made in recent years by the Bureau of Meteorology in the quality of available weather data, both historical and real-time. The use of the Internet to disseminate and publish real-time or near to real-time weather data is contributing to a better understanding of weather events and is a major factor in irrigators' production, planning and decision making.

The Commonwealth's current commitment to the Bureau of Meteorology's activities is supported. Further strategic investment by the Commonwealth is encouraged, to ensure that Australia's primary producers are provided with the most timely and accurate weather forecasting tools available.

Predicting water demand for irrigation activities is no precise science, as there are many weather and market related variables constantly at play. What is known is that the implementation of water sharing plans has placed an upper limit on the amount of water available for irrigation purposes.

For the future, productivity gains with respect to water use efficiency, usage and infrastructure investment will now be the major sources of 'new' water for NSW irrigators. This will be enhanced by water trading activities in those regions where this is a viable and available proposition.

#### **4.7 The Implications for Agriculture of Predicted Changes in Patterns of Precipitation and Temperature**

NSWIC supports the premise that climate change is occurring and is an issue that requires a comprehensive and ongoing industry consideration of and response to both the potential impacts and benefits.

NSWIC has engaged the climate change debate in a pro-active manner, to better understand the short and long-term implications for the industry's future. This does not entail any acceptance of the many and varied points of view being circulated on this topic, but is a

recognition that it is a responsible and proactive position from which the industry can engage the debate, consider its options and develop either specific or targeted industry responses.

Presentations made to Council members do not appear to be all doom and gloom. There are scenarios that foresee circumstances where there may well be more run-off into catchment that feed the State's major irrigation regions. This could provide beneficial outcomes for irrigators' to capitalise on and perhaps even expand their industry options.

Of importance to NSWIC members is that the Commonwealth continues to provide leadership in the exploration of the wide range of industry and community options required to meet the climate change challenge.

Industry can not and must not be left to do all of the heavy lifting, or even bear a disproportionate amount of the cost or any adjustment required to meet the wider communities' climate change recovery expectations.

On a positive note, irrigated agriculture constantly addresses the challenges of changing or evolving industry circumstances. This is evident through analysis of industry investment into research and development for crop type and growing characteristics that seek higher production, shorter growing periods, tolerance to a wide range of production variables and risks. The adoption of water efficient technologies and infrastructure and innovative farming practices are both examples of the irrigation industry's ongoing response to declining water allocations, water sharing plans requiring allocation reductions to meet environmental water allocations and changing local climatic variability and agronomic circumstances.

NSWIC welcomes the NSW government's commitment to Snowy Hydro's cloud seeding trials that have been conducted in the Snowy Mountains over the past two winters. While cloud seeding is not expected to be the panacea to climate change impacts, it may provide localised, or targeted benefits that mitigate some short-term, or long-term impacts of climate change.

The Commonwealth must provide sufficient funding to ensure that Australia regains its mantle as a leader in the understanding of cloud seeding principles and the application of this knowledge to local conditions.

Similarly, ongoing and strategic funding of the Bureau of Meteorology must be guaranteed to ensure that this organisation has the capacity to lead the world in the provision of weather forecasting information that supports the irrigation industry's production and investment decisions.

## **ATTACHMENT 1 – NSW IRRIGATORS’ COUNCIL MEMBERSHIP**

Bega Cooperative Society Limited  
Border Rivers Food and Fibre  
Coleambally Irrigation Limited  
Cotton Australia  
Gwydir Valley Irrigators Association Inc.  
Hunter Valley Water Users Association  
Lachlan Valley Water  
Macquarie River Food and Fibre  
Mungindi Menindee Advisory Council  
Murray Irrigation Ltd  
Murray Valley Water Diverters Advisory Association  
Murray Valley Groundwater Users’ Association  
Murrumbidgee Groundwater Pumpers’ Association  
Murrumbidgee Horticulture Council Inc.  
Murrumbidgee Irrigation Ltd  
Murrumbidgee Private Irrigators’ Inc.  
Namoi Water  
NSW Farmers’ Association Dairy Section  
NSW Farmers’ Association  
Ricegrowers’ Association of Australia  
Richmond Wilson Combined Water Users Association  
Southern Riverina Irrigators  
South Western Water Users  
Wine Grapes Marketing Board

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**ATTACHMENT 2 NSWIC IPART PRICING SUBMISSION**

See attached file

**ATTACHMENT 3 NSWIC RESPONSE TO THE NATIONAL WATER  
COMMISSION'S 2005 WATER ASSESSMENT FRAMEWORK**

See attached file

**ATTACHMENT 4    NSWIC COMMENTS ON THE NSW NATIONAL WATER  
INITIATIVE IMPLEMENTATION PLAN**

See attached file

## ATTACHMENT 5 STATE WATER CORPORATION UNCONSTRAINED PRICES

**TABLE 10.7 IMPACTS OF UNCONSTRAINED PRICES ON CUSTOMER BILLS  
(% CHANGE)**

% 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%