



NSWIC
NEW SOUTH WALES
IRRIGATORS'
COUNCIL

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SUBMISSION

Murray-Darling Basin Water Infrastructure Program

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Introduction

The NSW Irrigators' Council (NSWIC) is the peak body representing irrigators and the irrigation industry in NSW. Our Members include valley water user associations, food and fibre groups, irrigation corporations and commodity groups from the rice, cotton, dairy and horticultural industries. Through our members, NSWIC represents 12,000 water access licence holders in NSW who access regulated, unregulated and groundwater systems.

NSWIC engages in advocacy and policy development on behalf of the irrigation sector. As an apolitical entity, the Council provides advice to all stakeholders and decision makers.

This submission represents the views of the Members of NSWIC with respect to the Murray-Darling Basin Water Infrastructure Program; however, each member reserves the right to independent policy on issues that directly relate to their areas of operation, expertise or any other issues that they deem relevant.

Key assessment criteria for efficiency projects

The Basin Plan provides for the recovery of water through efficiency contributions provided they achieve neutral or improved socio-economic outcomes.

NSWIC believes criteria against which any efficiency measure proposal is assessed must be evidence based and able to be independently verified. NSWIC supports the assessment principles put forward by the Victorian and NSW Governments. In summary the criteria must be evidenced based enabling all project proposals to be assessed for:

- Cumulative impacts of water recovery on regional employment and jobs along the agricultural production chain;
- Impacts of a project on irrigation systems, networks and operations;
- Impact on the water market and water prices including the cost of operations;



Overview

When the Basin Plan passed into law in 2012, then Minister Tony Burke spoke at the National Press Club. He explained that the SDL Adjustment Mechanism efficiency measures would ensure no negative social and economic impacts in Basin communities. Through his statement he made it clear that the intent of the SDLAM was to consider community scale impacts; however, the test provided for in the Basin Plan assumes individual voluntary participation in recovery programs is sufficient.

NSWIC is of the view this neutrality must be measured at a community or district level, not the individual level.

The MDBA's own studies show that there have already been significant impacts in irrigation dependent communities due to the Basin Plan and water recovery. These are communities that were already struggling to cope with the effects of the Millennium Drought and other factors. These communities need time to recover and adjust.

NSWIC does not support further recovery of water from consumptive use.

The Productivity Commission has recommended that any future water recovery be aligned with projects to ease constraints to avoid significant expenditure on an asset that cannot be fully utilised. They further propose that the deadline for doing so be extended as the 2024 deadline is unrealistic¹. The reality is, that until the issue of constraints has been resolved, which must only occur through consultation and consensus with impacted communities and landholders, any water recovery under the efficiency measures will not lead to the enhanced environmental outcomes as required by the objectives of Chapter 7 of the Basin Plan.

It is the view of our membership that enough water has been recovered from productive users and the industries and communities that rely on irrigation need time to adjust. Any future water recovery must come from off-farm or urban opportunities.

NSWIC believes all Murray-Darling Basin governments must be open to investigating opportunities for meeting the objectives of the efficiency measures through alternative means such as complimentary measures. Such investigations should be a priority and must include full consultation with relevant stakeholders, including irrigators.

Any criteria applied to efficiency measure projects must be evidence based and able to be independently assessed as having a neutral or positive social and economic impact at a local, regional or southern Basin scale.

¹ Murray Darling Basin Plan 5 year assessment, DRAFT report, Productivity Commission, 2018, p2.



Submission

This submission responds to the specific consultation questions; however, it should not be seen as an endorsement of the MDBWIP, nor does it in anyway indicate any members willingness or otherwise to participate in the program.

NSWIC is concerned that the additional criteria proposed by the Department, to require a letter of support from an irrigation infrastructure operator (IIO) or local government is not evidence based and does not address the distributive or cumulative impacts of further water recovery. The proposals effectively transfer responsibility for evaluation of impacts from the Government to the IIO or local government area.

What opportunities do you see in on-farm projects?

NSWIC believes there is very little opportunity remaining for on-farm projects within NSW to achieve significant water savings without having flow-on impacts that would negatively affect the region from whence the water savings came. There must also be consideration of the distributive impacts of water recovery. The Ernst and Young analysis of efficiency measures in the Murray Darling Basin found that efficiency measures had the potential to cause distributive impacts through both job losses and the creation of competitive advantage/disadvantages².

There have already been distributive impacts as a result of water policy changes with the transfer of entitlement from existing irrigation networks to greenfield sites developed into large-scale horticultural production. As a result, traditional irrigation regions have seen water transferred out of their region, while river operators now have to contend with meeting delivery demands beyond traditional capacities. The current criteria and past practice of rolling out on-farm infrastructure programs has not adequately considered such distributive impacts.

Further, the increasing value of water and the reduced availability on the temporary water market, means that farmers are seeking a higher return on their water than the 1.75 market multiplier that has been identified for this program. This is likely to seriously diminish the uptake / voluntary participation in the program, and thus significantly questions the program's overall feasibility and effectiveness.

This is evidenced by the reduced demand for the On-Farm Irrigation Efficiency Program in the final rounds. While the number of applications for rounds four and five of the OFIEP may have been comparable to earlier rounds, the higher number of applicants withdrawing shows that farmers are carefully evaluating all options and seeking best value and return for their on-farm investments. Current low interest rates and alternative financing opportunities mean farmers have other options for financing on-farm works that were not as economically viable in the past.

² Analysis of efficiency measures in the Murray Darling Basin, Ernst and Young, January 2018, p18
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What risks do you think on-farm projects have for you, your business or community?

On-farm projects may have advantages for the individual participant, but they have flow on and cumulative impacts.

1. Water market impacts

In their 2016 report into the Supply side drivers of the Water Market, Aither consulting found that water recovery has increased temporary water prices across all water availability scenarios³.

This impact is exacerbated in dry years when there is high demand for water and low supply. For example, this water year despite significant levels of carryover in the Murray and Murrumbidgee Valleys, temporary water was trading at double the average price for early season trade.

2. Cost of operations

The cost of operating water delivery infrastructure is largely fixed, whether within an irrigation infrastructure operator's (IIO) area of operations or through river operations such as WaterNSW, regardless of the volume of supply.

Through water recovery, some irrigation schemes are delivering on average lower volumes of water while maintaining the same or higher operational costs which must be recovered from customers. Therefore, water recovery is having the added impact of influencing water delivery charges as well as water market charges.

Do existing project criteria adequately manage these opportunities and risks?

Existing criteria rely solely on the input of an individual with little regard for the cumulative or third-party impacts as described above. The existing requirements ensure the Commonwealth will not be short-changed by requiring proof that the savings are real and the water entitlements to be transferred are owned by the proponent before participation but there is not consideration of the economic impact of the project. There is no requirement for an assessment of the impact on the water market, nor consideration of operational costs.

Current criteria also fail to consider flow on impacts of reduced production through either transition to new crop types or reduction in irrigation area planted. Irrigated production supports value add industries across the production chain. Impacts on these industries must be factored into the broader criteria of assessment of social and economic impacts.

What further practical steps could governments, businesses and communities take to manage these risks?

Government must consider where the impact of water recovery has already had a negative effect. The information is available for governments to evaluate impact to date and avoid recovery from those areas to avoid exacerbating the negative effects.

Social and economic work done by the MDBA shows that in some regions the workforce has reduced by over 50 percent since the turn of the century. In the Wakool shire area the workforce decline of 53 percent has predominantly occurred post the Millennium Drought.

Industries and communities continue to strive for increased efficiencies and to adapt to the reality of less water in the consumptive pool; however, the uncertainty created by continued water recovery is hampering investment and undermining community confidence.

³ Supply side drivers of water allocation prices, AITHER, 2016



What other criteria could governments consider, including any criteria identified by Basin Governments?

Governments should ensure they have fully exhausted all off-farm and urban water recovery before considering any further on-farm water recovery. This includes projects that do not require water recovery from the consumptive pool such as complimentary measures. A review of current environmental and operational water should be conducted to assess whether these can contribute to outcomes being sought under the 450GL program.

NSWIC supports the position of the NSW Minister for Regional Water, Niall Blair, who has proposed extra criteria that should be part of the social-economic neutrality test applied to efficiency measures projects⁴. These include:

- Cumulative impacts at a district level must be identified and evaluated;
- Impacts on irrigation systems and networks must be considered;
- Assessment of the potential impact on the water market;
- Assessment of the impact on water prices (cost of operations);
- Consideration of impacts to date.

Additionally, Governments should consider the capacity of projects to contribute to the enhanced environmental outcomes set out in Schedule 5 of the Basin Plan and Section 86AA of the Water Act 2007.

Conclusion

The efficiency measures were always intended to lead to neutral or positive social and economic impacts. Irrigation communities and industries expected that this meant neutral impacts across the community; however, the test that is described in the Basin Plan assumes that if an individual willingly participates, then that equates to social and economic neutrality. That is wrong.

Experience shows us that a test applied only at the individual level is not sufficient to ensure community level social and economic resilience. Any criteria applied to future water recovery must consider the broader impacts including the impact of water recovery to date at a district and state level.

NSWIC believes that enough water has been recovered from farmers and that the cost has been severe and highly detrimental for Rural NSW. The future of regional centres, towns and communities now hangs in the balance subject to the decisions of governments and agencies including the MDBA. It is time for all Basin governments to seek water savings elsewhere and particularly in the way the resource is managed.

Jim Cush
Chairman

⁴ <https://www.industry.nsw.gov.au/water/news/nsw-government-calls-for-conditions-on-efficiency-measures>