



LEETON
SHIRE COUNCIL

21 August 2020

National Water Reform 2020
Productivity Commission
Locked Bag 2, Collins St East
Melbourne VIC 8003

Lodged at: water.reform.202@pc.gov.au

Dear Sir/Madam

Re: National Water Reform

Leeton Shire Council welcomes the opportunity to provide a submission to the Issues Paper published by the Productivity Commission as part of its Inquiry into National Water Reform.

Leeton Shire has a population of around 11,400 and is the second largest regional centre in the Western Riverina outside of Griffith. Leeton Shire is the birthplace of the Murrumbidgee Irrigation Area (MIA) and was purposely built as part of the Murrumbidgee Irrigation Scheme designed to drought proof inland Australia and provide national food security.

Today, the Western Riverina is NSW's major food producing region and is poised to significantly expand its markets for premium produce. Water is vital for the clean, green productive food and fibre produced and the many value-added industries founded here. Diversity in agricultural endeavour and manufacturing is our strength as communities.

Leeton Shire Council strongly supports the goal of achieving a Murray-Darling Basin River system that is healthy and can sustainably support a prosperous, diverse irrigated agricultural sector and its communities.

Leeton Shire Council encourages the NWI to prioritise actions that deliver:

- Policies that optimise environmental, social and economic outcomes for regional communities and focus on how best to maintain the diversity and resilience of irrigated crop-types throughout the Murray-Darling Basin region.
- Measures of success that go beyond the narrow farm gate price and incorporate regional and national economic measures that are sustainable in the long term. Regional economies are integrated and beyond the returns of individual investors.
- A regional policy framework for the use of available water, land and regional infrastructure to deliver an integrated and coordinated agricultural and agribusiness approach for the communities of the Murray-Darling Basin.
- Effective mechanisms to identify and manage key issues identified by stakeholders and ensure that policy decisions are made in a coordinated manner with reference to relevant and contemporary scientific, technical, operational and commercial parameters and information.

Key Points

Since the introduction of the NWL, the commodisation of water has led to several problematic outcomes for our communities who depend on water availability, diverse agricultural production and value-added industries for their employment and livelihoods, including the following:

- **Lack of an integrated overall policy framework for key resources.** To optimise the use of available water, land and the use of our regional infrastructure, there is a need for a regional policy framework to deliver an integrated and coordinated agricultural and agribusiness plan for the communities of the Murray-Darling Basin. Importantly, with a variable climate we need an appropriate balance of permanent plantings and annual crops to adjust production in response to rainfall and allocations. Without a coordinated approach there is a risk of policy settings that erode many of the benefits that we now enjoy.
- **Expansion of permanent plantings.** The implementation and growth in the trading of water entitlements and allocations has seen the expansion of high value permanent plantings downstream of the established irrigation areas. While this has generated benefits in terms of farm gate value for downstream producers:-
 - There are costs at the regional and national level that may not be properly accounted for, such as the volume of water required to be set aside to transfer that water over a greater distance. It is understood this transfer water reduces the volume of water available for allocation to all general security users and, as such, may not be appropriately accounted for in terms of value and/or volume.
 - There are risks with a lack of diversification and resilience from the unimpeded, and potentially short-term, growth of downstream permanent plantings at the expense of upstream established, sustainable and diversified irrigation sectors and industries.

These established sectors are located in vibrant regional economies with prime agricultural land and infrastructure and investment that is possibly unrivalled in regional Australia. However, these sectors must have reliable irrigation water for the other elements to function.

Accordingly, the expansion of permanent plantings may be at the expense of these established sectors, and risks undermining the viability of both. The reduction in the diversity and resilience of the established sectors may be irrevocable, and should the new industries fail, established vibrant irrigation communities and economies will have been lost, to the detriment to the regions and the nation.
- **Carry over policy.** While carry over policies are embedded in all irrigation sectors, we note that very credible arguments are being made that these policies, together with other factors, may be creating suboptimal water use and lowering the production of irrigated crops. We understand that carry over may be locking up a significant proportion of resources and reducing the volume of water utilised for farming. Leeton Shire Council would like to ensure that these arguments are fully explored in order to ensure that the net impact of carrying the water forward is well understood.

- **Increasingly risk averse approach.** Since the millennium drought policy makers are adopting a more conservative approach to allocation which appears to be impacting irrigator behaviour. This policy approach has resulted in lower and later annual allocations and has decreased irrigator confidence and increased their reliance on carry over, effectively locking up water that should be used for production purposes.
- **Lack of effective review and communication mechanisms.** Better mechanisms, if implemented could:-
 - assist with providing a forum to identify and address key issues (such as carry over policy, environmental concerns, impacts of drought and climate change and other matters from the recent reviews conducted by Productivity Commission, ACCC and MDBA).
 - facilitate two-way communication to help educate and inform a wide range of stakeholders from policy makers to small licence holders, investors and community members. This may enable many such licence holders and investors to be more informed and confident regarding water market and management policies and settings.
 - assist with ensuring that decisions are made with reference to relevant and contemporary scientific, technical, operational and commercial parameters and information.

In closing, Leeton Shire Council calls for strong and courageous leadership, including a willingness to review and adjust elements of regulation and policies to optimise water, land and infrastructure to deliver positive and sustainable environmental, social and economic outcomes for regional communities and the national economy.

We look forward to hearing the outcome of this Inquiry and thank you again for the opportunity to provide a submission.

Yours sincerely

Jackie Kruger
General Manager