



MARCH 2021

National water reform

Productivity Commission Inquiry 2020 – Draft
Report

Submission on behalf of the SunRice Group
and the Ricegrowers' Association of Australia

Executive summary

SunRice and the Ricegrowers' Association of Australia welcome the opportunity to provide this submission to the Draft Report published by the Productivity Commission as part of its inquiry into National Water Reform.

The SunRice Group is a major Australian branded food company, and one of the world's largest rice food companies with approximately 2000 employees across multiple businesses. With significant receival, storage, processing and other value-add facilities in the Riverina of NSW, the Group is responsible for the vast majority of Australia's domestic rice processing. Formed in 1950 when a group of Riverina rice growers pooled their resources to build a single rice mill, the Group celebrated its 70th anniversary in 2020 and is listed on the ASX with a dual-class share structure. In order to hold an A Class Share in the company – which are the class of share entitled to vote at general meetings, control the election of Directors and any changes to the Company's Constitution – you must be an active Australian rice grower.

The Ricegrowers' Association of Australia (RGA) is the collective voice of Australian rice growers. The RGA represents the interests of approximately 1200 voluntary members, who predominately grow rice in the Murray and Murrumbidgee Valleys of southern NSW. For 90 years now, the RGA has been proving members with strong and effective representation on issues affecting the viability of their businesses, their communities and their industry. The RGA is made up of eight branches who each annually elect delegates to form the RGA Central Executive Policy Council, who oversees the work of the RGA.

As outlined in our joint submission to the National Water Reform Issues Paper, both SunRice and the RGA (collectively referred to as the Rice Industry) have a strong interest in the viability and success of irrigators in the NSW Murrumbidgee & Murray Valleys, with an overlapping interest in a successful and fair implementation of the NWI. The synergies for the best possible outcome from a refreshed NWI are so strong, that a joint submission was deemed appropriate.

The Rice Industry acknowledges that on balance, the National Water Initiative has facilitated a significant improvement in water management throughout the Murray-Darling Basin and Australia as a whole, and support the Productivity Commission's Draft Report finding that there have been significant benefits throughout the irrigation industry that are directly attributable to the NWI.

Nevertheless, it was not possible for the NWI's architects to foresee all likely consequences of this major reform, nor understand how the context of water availability and management would change in the subsequent 17 years. Hence, we agree with the Commission that there is a compelling case for continued reform.

However, we feel that the Commission's Draft Report has unfortunately missed the opportunity to address several very serious water reform impacts facing rural Australia at current. And despite a strong focus on these areas in this submission, we have made a sincere attempt to provide suggested solutions that we believe are feasible and sensible.

We also note that we are not seeking to address all matters raised in the Commission's Draft Report, but rather are focused on matters relevant to the following NWI objectives:

- i. Clear and nationally compatible characteristics for secure water access entitlements
- ii. Transparent, statutory-based water planning
- iii. Progressive removal of barriers to trade in water and meeting other requirements to facilitate the broadening and deepening of the water market, with an open trading market to be in place
- iv. Addressing future adjustment issues that may impact on water users and communities.

Finally, the Rice Industry thanks the Commission for the opportunity to provide our response to the National Water Reform Inquiry 2020 Draft Report. We acknowledge that this Report is just that, a draft, and are therefore hopeful the Commission will take on board the Rice Industry's suggested amendments when preparing its Final Report. To this end, we look forward to release of the Final Report.

Response to the Report

With reference to the chapters, draft NWI renewal advice and information request contained in the Report, the Rice Industry provide the following responses:

1.1 CHAPTER 3: NWI RENEWAL ADVICE: A REFRESHED INTENT

The Rice Industry refers to the *draft NWI renewal advice 3.3: modernised objectives*, and our submission to the National Water Reform Issues Paper.

Firstly, the Rice Industry is disappointed that the Commission has not recommended that our suggested three additional objectives be included in a renewed NWI. With respect to the intent of each of those three objectives, we also note the following:

1. Fairness and equity for all water users (including the environment)

As outlined in our previous submission, we believe that the impacts of water reform have not been distributed fairly and equitably to date, with the productive sector being placed under great pressure to 'do more with less', while other water uses, including the environment, towns, stock and domestic and river operators, not having been subject to the same standards of efficiency.

Hence, we are alarmed by some of the Commission's recommendations at chapter six of the Report which, in our opinion, will only serve to cement these inequities. In our response to chapter six below, we have made a number of suggestions regarding how these recommendation could be amended to ensure fairness and equity for all water users. In particular, we think that a greater focus needs to be placed on all water users contributing to the impact of reduced water availability, not just the productive sector.

Furthermore, we argue that lower reliability water users have borne the brunt of reduced water availability, while at the same time other productive water users have benefited from reform. While we believe the Commission has acknowledged some of these concerns in chapter seven of the Report, we feel that there is an opportunity for the Commission to strengthen its recommendations in this regard in the Final Report, as outlined below.

2. Recognition of the highly variable nature of Australian water resources

While the Rice Industry welcomes the Commission's draft recommendation for a strengthened focus on adaptation to climate change at *draft NWI renewal advice 3.1*, we are alarmed by the enhancements to the NWI recommended by the Commission in *draft NWI renewal advice 6.2* to 'enable entitlement holders and the environment to better contend with drought within the term of a water plan, and, over the longer term, support adaptation of a water plan to a changing climate.'

We also reiterate our comments in our previous submission that: *"there has been a trend of increasing total demand for resource, and increasing reliance on permanent water availability. A more holistic government planning and regulation approach is needed to ensure that changes in demand and use patterns across the Basin are complementary to the Basin's water availability characteristics, and that there is an appropriate balance between annual and permanent plantings."*

To this end, we acknowledge and thank the Commission for its advice in chapter 7 with respect to the need to maintain water market regulation/barriers where regulation *"maximises overall community benefit"*.

However at the same time we seek that the Final Report include much stronger recommendations with respect to "a more holistic government planning and regulation approach" to address these risks.

3. Genuine and meaningful community co-design and participation in future water reform

The Rice Industry welcomes the proposal from the Commission at draft NWI renewal advice 3.4: overarching principles that an overarching principle be included in the renewed NWI with respect to community engagement and the capacity of communities to effectively engage.

Secondly, the Rice Industry is disappointed that the Commission has recommended that the NWI objective with respect to water trade be amended to include the wording “to trade water to promote its highest value”¹.

While we support the remainder of the proposed renewed objective, increasing the emphasis on ‘highest value use’, without any clear direction as to how to measure ‘value’, is dangerous. Value is a subjective term. It has different meaning to different users, and can include economic, social, environmental and cultural connotations.

In the past, value has been determined by farm gate commodity return, and we argue that this definition is both too narrow and is resulting in unintended and perverse consequences for the water sector, including the risk of growth in one industry (almonds) at the expense of all other mainstream irrigation industries, as reflected in the table at Figure 2.6 of the Report.

It is critical that there is a diversity of commodities grown in the southern Murray-Darling Basin. Diversity supports a wide range of associated value adding and service industries, and insures rural communities against the risks associated with global commodity trading. At a broader level, diversity underpins a more resilient social and economic base for irrigated agriculture communities, allowing these communities to better content with shocks such as drought and extreme events.

RICE INDUSTRY RESPONSE:

The Rice Industry seeks that point 5 of draft NWI renewal advice 3.3: modernised objectives be redrafted to remove the reference to the promotion of highest value use.

In addition, the Rice Industry seeks that the Commission consider how it can better reflect the proposed objectives 1 and 2 above in the Final Reports modernised objectives renewal advice.

1.2 CHAPTER 5: WATER RESOURCE MANAGEMENT – A FIT-FOR-PURPOSE FRAMEWORK

The Rice Industry supports the Commission’s draft NWI renewal advice 5.1: fit-for-purpose water resource management, however suggests that this recommendation be strengthened to:

- a. call on governments to ensure sufficient resourcing of the planning process (not just to ‘think about this’), and
- b. to ensure that the planning process “ensures scheme-specific local knowledge is integrated into decision making processes” (as recommended by the Canegrowers submission).

The experience of the Rice Industry has been that in our local ‘fully developed systems’ of the NSW Murray and Murrumbidgee, there has been insufficient government resources dedicated to enabling fit-for-purpose water management. For example:

¹ “the capacity to trade water to promote its highest value use within the physical, ecological and social constraints of water systems in an open, transparent water market with a level of regulation that is proportional to the maturity of market development”

- There has been insufficient and untimely information/evidence gathered on the significant and emerging risks to water management in these systems, in particular as a consequence of trends in changes to water use.
- Even when this information is gathered, government seems reluctant to tailor policy to suit the unique characteristics of these systems, preferring to take a one-size fits all approach to managing these risks. This is particularly frustrating at both a Basin and State level, where there are many valleys, each with their own diverse characteristics, yet the planning approach and instrument is significantly standardised across the board.

A good example of this is the unwillingness of government to engage in a discussion with stakeholders about managing delivery risks in the River Murray system.

- The planning processes that have been run with stakeholders has been tokenistic at best:
 - Key reviews and consideration of critical issues are often postponed to a future review processes, generally due to insufficient resourcing of the respective government agencies.

A good example of this is the optimisation of the NSW Planned Environmental Water Rules. These rules were scheduled to be reviewed only a few years after their introduction in 2004. This stand-alone review never took place, and instead the review was postponed to the Water Sharing Plan review process. The scheduled 2014 Water Sharing Plan review was then postponed from 2014 to 2016, then again, before commencing in 2017. However as part of this process, the NSW Government determined that it did not have sufficient resources to review these planned environmental water rules, and instead advised stakeholders that this review would be postponed to the Regional Water Strategies development process which commenced at the end of 2020. However we have since been informed by Department officials that consideration of Planned Environmental Water rules is outside the scope of the Regional Water Strategies program, and at current there is no alternative review process scheduled.

- Decisions are mostly pre-determined, often with the assistance of inter-agency government panels, and the consultation process is used as an opportunity to inform stakeholders of these decisions, rather than engage stakeholders in a discussion around options. Even when diverse stakeholders reach agreement on improved management regimes, government is not willing to listen to these suggestions if they fall outside their pre-determined template for review and decision making.
- Government determined the key matters for consideration, and provides stakeholders and communities with little opportunity to raise their own specific concerns.

1.3 CHAPTER 6: WATER ENTITLEMENTS AND PLANNING

DRAFT NWI RENEWAL ADVICE 6.2: WATER PLANNING, CLIMATE CHANGE AND CONTENDING WITH DROUGHT

With respect to the second part of *draft NWI renewal advice 6.2* (processes to better account for climate change), the Rice Industry provides the following response:

1.3.1 Provisions to contend with drought in water plans

While the Rice Industry understands the intent of the first dot point regarding provisions to contend with drought in water plans, The Rice Industry notes that if not well managed and coordinated, drought management mechanisms can have the very perverse impact of unnecessarily reducing overall water availability.

A good example of drought preparedness mechanisms being poorly managed and coordinated, at the expense of water availability, is the multitude of drought measures that currently exist in the NSW Murray Valley, including:

- A drought reserve account maintained in the Snowy Scheme for the purpose of servicing Critical Human Needs, in accordance with the requirements of the Snowy Hydro Licence;
- The MDBA takes an admittedly very reserved/conservative approach to allocating water to State shares, to ensure sufficient river operations water is maintained;
- In addition, the Murray River System is subject to a mechanism of Special Accounting, meaning State shares are changed/reduced to contend with drought;
- At a NSW level, there is a mechanism of allocating water in accordance with the Drought of Record, meaning future inflows are always assumed to be equal to the worst case scenario on record;
- In addition, the NSW government maintains a substantial NSW Murray water reserve account to provide for future water availability; and
- In addition, the NSW Murray Water Resource Plan has introduced an Extreme Events Policy to allow for (more conservative) management of the resource during dry scenarios.

These mechanisms have mostly been introduced or increased since the Millennium Drought. However these mechanism all appear to be managing for the same issue separately, without coordination.

Consequently, and arguably, the lack of coordination amongst these mechanisms means much more water is being locked away than is necessary to manage for a period of prolonged drought, even if more extreme scenarios eventuate. It is not in the national interest to deprive water users of such significant parcels of water, especially in such a dry nation.

The Rice Industry therefore argues that more drought mechanisms are not always the answer. Rather, better coordination of drought management mechanisms is needed both within governments and at an inter-jurisdictional level, and the need to manage for drought needs to be balanced with the need to make water available.

RICE INDUSTRY RESPONSE:

The Rice Industry seeks that this renewal advice be redrafted to instead recommend that governments find the balance between managing for more extreme drought scenarios into the future, while at the same time seeking to make as much water available to water users as is possible in all years. Maintaining this balance is even more critical considering the likely continuation of the trend of warming drying climate and less inflows.

In addition, government should investigate and allow for innovative approaches to water management, including opportunities to use water for multiple purposes/outcomes.

1.3.2 Triggers to periodically rebalance environmental and consumptive (water) uses

The Rice Industry is also deeply concerned about the suggestion contained at dot point five - that triggers be identified to periodically rebalance environmental and consumptive (water) uses.

If designed poorly, such a system could significantly undermine people's 'clear and secure long-term property right in water' which is a key pillar of the current National Water Initiative, and in the Commission's own words "provided the essential prerequisites for water markets and trading, and have established pathways to a more sustainable balance between consumptive and environmental use"².

The threat alone that at some point in the future the security/reliability of entitlements may be undermined through a rebalancing process poses a significant risk of discouraging investment in irrigated agriculture and ultimately undermines the feasibility of the sector.

This also contradicts the Commission's own advice at Chapter 6.1, where the Commission encourages "jurisdictions to recommit to the key NWI outcomes related to water access entitlements", including the **perpetual** nature of entitlements. In particular, the Commission explains that water access entitlements are intended to deliver investment confidence and security allowing entitlement holders to borrow against them, giving them more choice and flexibility in managing their businesses and enabling them to plan longer-term investments with greater certainty."

Information request 6.1

The Rice Industry provides the following feedback with respect to the triggers for rebalancing environmental and consumptive shares in the context of climate change.

- The suggested triggers rely on hydrological and ecological triggers. They do not account for the needs of the productive sector that are equally impacted by climate change. Considering the importance of this sector to regional communities, and the broader economy, and the impacts this sector has already endured through water reform, we think that any mechanism recommended for dealing with climate change should not unfairly shoulder the burden of reduced inflows onto consumptive water users.
- The Rice Industry also suggests that there are far more equitable opportunities available to governments to manage the impacts of climate change on water availability, rather than a system of redistributing water among uses and users, particular for developed systems, including the following:
 1. **Improve efficiency:** Instead of picking winners and losers, the Commission should instead recommend that in the first instance all opportunities for efficiencies' in water use be adequately explored and where feasible, implemented. This may require some innovative thinking and the current regulatory framework may need to be adapted to accommodate new approaches to water management.

All water uses should be held to account in terms of improving efficiency. This should be done through a structured process that takes into account the best available information about likely reductions in availability, and incentivises all water uses to draft and implement plans that seek to improve their efficiency accordingly, while maintaining their outcomes/outputs.

For example, if the forecast is for an 11% reduction in water availability in the Southern Murray Darling Basin system over a set period of time (as suggested at page 36 of the Report), then all water uses in this system, including the environment (planned and held), river operations, towns, stock and domestic and irrigation, should commit to plans to reduce water usage by this amount over this period of time.

² Ibid, p.2.

Some water uses/users may be capable of achieving efficiencies well in excess of the stipulated amount (11% in this example). If so, then this should be encouraged, and these additional efficiencies should be used to offset the equivalent need for efficiency (in volume terms) with respect to other water uses, where efficiency practices are harder to implement.

Such a program should be supported by clear objectives and good planning, monitoring, reporting and stakeholder co-design and engagement.

2. **Review water uses:** In addition, all current water uses should be revised to ensure that they are still fulfilling their intended purpose and achieving reasonable outcomes. For example, and as outlined above, there is arguably much room for improvement in the use of Planned Environmental Water rules. These rules have in the main not been reviewed for near two decades, are often very rigid in nature and rely on hydrological rather than ecological cues, with no flexibility to be adapted to suit the needs of the environment. In addition, our understanding of how to use environmental water adaptively and effectively has improved significantly in recent years.

Considering these rules usually provide for very large volumes of water, even small improvements to the operations of these rules is likely to result in significant opportunities for both improvements in outputs and efficiency gains.

Furthermore, there is a need to revisit the purpose/reason for the establishment of some of these rules. For example, it has long been argued that the Dilution Flows in the River Murray system, which were established decades ago to flush salt from the river system, no longer serve this purpose (thanks to significant improvements in salinity management in the Southern Basin). Consequently this water could be repurposed to serve higher priority needs within the system, therefore somewhat reducing the likely pressure reduced inflows could create.

3. **Innovative approaches to water management:** In addition, innovative approaches to water management should be explored. For example, as part of the Murrumbidgee Water Sharing Plan review process, the environment and irrigator representatives jointly proposed an idea to better utilise the supplementary water in the system. In summary, the proposal sought to that, subject to an agreed criteria/triggers, the Environmental Water Holders be given the opportunity to protect supplementary events that occur in the winter months when they are of most value to the environment, and least value to irrigators. In exchange, the Environmental Water Holders would transfer an equivalent volume of their water held in storages to irrigators. Despite this preliminary proposal likely increasing the utilisation of supplementary water events, and therefore increasing overall water availability, and potentially being a massive win-win for the environment and irrigators, the NSW Government would not consider this proposal as it fell outside of the scope of the Basin Plan's Water Resource Plan accreditation rules.

These are the types of opportunities that all levels of government need to be open too, so that we can manage water availability fairly and equitably for all water users, without having to pick winners and losers.

RICE INDUSTRY RESPONSE:

The Rice Industry seeks that this renewal advice be redrafted to instead recommend that rebalancing and redistributing water access between different water uses be avoided. Instead government should look to incentivise all water uses to improve efficiency, while at the same time maintain their outputs/productivity. This should be done through a structured program, informed by the best available information and water use practices, and with quality stakeholder engagement processes. Government should seek to remove any regulatory barriers to efficiency improvements.

In addition, government should review the impact of water uses to ensure they are still fulfilling their agreed purpose, and investigate and allow for innovative approaches to water management including opportunities to use water for multiple purposes/outcomes.

1.3.3 Water access entitlement holders continue to bear the risks to the consumptive pool arising from climate change and periodic natural events

The Rice Industry is also deeply concerned about the suggestion contained at dot point six - that water access entitlement holders should continue to bear the risks to the consumptive pool arising from climate change and periodic natural events (as reflected in paragraph 48 of the NWI).

We argue that this is completely inequitable and inconsistent with our proposed objective in our submission to the Issues Paper that the renewed National Water Initiative seek to ensure fairness and equity for all water users.

Water uses that fall outside of the entitlement framework should also bear some of the burden of reduced water availability. This is critically important as these water uses make up more than half the average available water within the Basin.

As outlined in the Commission Report, River Murray median annual inflows have halved in the past two decades when compared with the 100 years prior. If this trend continues and entitlement owners are expected to bear the full burden of reduced inflows, then there will most likely simply not be sufficient water to sustain an irrigation industry in the Southern Connected Basin. In particular, general security water licences, being the dominant but near least secure entitlement in the NSW Murray Valley, would eventually no longer receive an allocation.

Furthermore, as the Commission's Report states, the irrigation/consumptive sector has significantly increased water use efficiency, not least due to many of the reforms introduced under the NWI.

However the focus on improving the efficiency of consumptive water is too narrow and ignores the opportunity for significant improvements in the overall efficiency and sustainability of water management in Australia. As outlined in our statement above, many of the other large water uses have not been subject to the same standards/expectations for efficiency as consumptive water uses. Hence, there is much opportunity for efficiency improvements in non-entitlements forms of water use, such as planned environmental water and river operations water, as outlined above.

In addition, it is also important to understand the equity of impacts on water users who sit within the water entitlement framework. Victoria and South Australia now effectively have only one class of active (irrigation) entitlement, hence any reductions to irrigation water availability are reasonably evenly shared between those States irrigators. However in NSW (in particular in the Southern Basin), the hierarchy of use focuses almost all reductions in water availability on general security entitlements, while other entitlement categories (predominately high security) bear almost no impact. This is creating major equity imbalances in the distribution of resource in NSW.

Finally, the Rice Industry is fortunate to have a previous National Water Commissioner and architect of the NWI among its ranks. With respect to those original NWI negotiations, he advises that it was agreed that Government would bear the risk for the impact of policy change on water availability, and irrigators would bear the risk for the first 3% reductions in water availability resulting from "New Knowledge" impacts, and government would then bear the risk for any further reductions (greater than 3%) in each ten year period. The "New Knowledge" component referred to climate change, ground water connectivity and some other uncertainties.

It is consequently then argued that the suggestion contained at *dot point six* completely ignores these past, and very important, agreements, and is a good example of why irrigators have lost confidence in the water reform process, and specifically, in features of the NWI.

RICE INDUSTRY RESPONSE:

The Rice Industry seeks that this renewal advice be redrafted to instead recommend that all forms of water use, including uses that fall outside of the entitlement framework, bear the risks to the consumptive pool arising from climate change and periodic natural events.

OTHER WATER ENTITLEMENT AND PLANNING MATTERS

The Rice Industry supports the Commission's *draft NWI renewal advice 6.1* and in particular the point made with respect to interception activities. The Rice Industry agrees with the Commission's commentary that jurisdictions have not fully met the interception-related objectives of the NWI (assessment). Our experience in our valleys is that water use by major plantations in the catchment zones of the valleys often remains unlicensed and hence sits outside the entitlement framework, despite predictions for future growth in these activities. Information on the level of use by these activities appears weak at best.

In addition, the Rice Industry provides the following response to the first section of *draft NWI renewal advice 6.2*:

- The Rice Industry notes its comments above regarding fit-for-purpose water planning above.
- With respect to dot point one, the Rice Industry recommends that the priority to improve water planning be broadened to include measurable and well-informed economic outcomes, as well as cultural and environmental outcomes. Our experience with the recent Water Resource Plan development process was that very little emphasis was placed on the use of water by the productive sector, which is a major oversight considering the importance of this sector to rural communities and the economy more broadly. Considering the significant value associated with entitlements and water use investment, clear, measurable and well-informed economic outcomes should underpin any planning with respect to water management and use.
- The Rice Industry supports the Commission's dot point three, seeking independent review of water plans. However, the Rice Industry refers to the Commission's comments regarding the review of the NSW Water Plans by the Natural Resource Commission and Murray Darling Basin Authority. We argue that neither of these reviewers are independent, and that both have a specific criteria by which to review the plans contents by. Rather, the Rice Industry thinks that the recommended independent review should be for an entirely different purpose, and that is to ensure that the planning process undertaken by the respective government was fit-for-purpose and appropriate, and should consider matters such as whether sufficient resources were dedicated to the task, whether stakeholders were adequately engaged with, and whether key outstanding issues have been sufficiently explored and addressed.

1.4 CHAPTER 7: WATER TRADING AND MARKETS

The Rice Industry supports the Commission's *draft NWI renewal advice 7.1 and 7.2* and commends the Commission on their strong stance in this advice.

Our recent experience in the River Murray system is that the design of the water trade and market arrangements have ignored the system hydrology requirements, and have sought to guarantee water supply to below choke water users. This has significantly contributed to inefficiencies in water delivery at the expense of predominately general security water users. Consequently these current arrangements do not suit their context and are not fit-for-purpose.

To this end, we support the Commission's analysis that there is a need to "*proactively anticipate, identify and advise on responses to emerging risks in the context of third-party and environmental impacts of trading*", and to ensure water market regulation/barriers are maintained where they "*maximises overall community benefit*".

The Rice Industry also supports *draft NWI renewal advice 7.3: information to support efficient water markets*.

1.5 CHAPTER 10: ENSURING THE INTEGRITY OF WATER RESOURCE MANAGEMENT

The Rice Industry supports the draft NWI renewal advices:

10.1: building system integrity through a renewed element (in particular dot point 2):

10.3: ensuring the integrity of water system management; and

10.4: ensuring information on the broader water context aligns with users' needs.

We agree that “*Trusted water resource management is underpinned by credible and reliable information and robust institutional processes that provide assurance that: [in the context of the Southern Basin] water systems are being managed to best effect for all users*”, and that the provisions of trusted and reliable information helps water users to “*effectively plan for the future*”.

We also strongly support the Commission’s commentary at section 10.3 of the Report, and provide the following comments with respect to this section:

- While we agree that it is important to weigh up the benefits of collecting and distributing information versus the costs, we note that many of these benefits are difficult to measure (for example user confidence) and hence it is important that such an approach does not discount the value of these benefits.
- We wish to in particular support the comments with respect to mistrust of modelled information and the need for improvements in this regard.
- We also wish to highlight our support for the comments regarding the need for “*system managers to be responsive to public concerns and engage with stakeholders to improve information provision*”.

Finally, we support the Commission’s suggestion that “*water system managers need to engage with water users and communities to ensure that system accounts are relevant and useful*”.

The recent experience of the Rice Industry is that information about system water accounts (Sustainable Diversion Limit (SDL) accounts) is both difficult to access and interpret and not available in a timely manner (often being finalised and released 12 – 18 months following the end of the water year). Furthermore, information about the SDL accounting framework and modelling is often not publicly available, highly complex, contentious amongst jurisdictions, and/or subject to caveats about the quality of the model and its assumptions.

This information is of critical importance – it essentially underpins both consumptive and environmental water availability in the Murray Darling Basin.

Hence it is essential that it is available to the public in a transparent, timely and meaningful fashion and that the relevant government officials are willing to engage with the public in discussions about this information. To date, we feel that government officials have not treated this information with the level of importance that it warrants.

1.6 CHAPTER 12: WATER REFORM IN RURAL AUSTRALIA

The Rice Industry was extremely frustrated with draft NWI renewal advice 12.1: helping communities deal with adjustment pressures.

The recommendations regarding community adjustment are overly simplistic and not realistic.

While we agree that government has a role to play in supporting communities to adjust to change where this change is policy induced, we provide the following response to the remainder of the Commission’s analysis at section 12.4:

- The support provided by the social security and tax systems is quite general in nature and does not allow for targeted support for those communities worst impacted by water reform.
- The suggestion that impacted individuals can transition to new employment and business opportunities when supported to do so through education and training and advice about business opportunities does not recognise the limits to the creation of new jobs and business opportunities in the impacted communities. It also doesn't recognise some of the realities of water reform disadvantages for impacted individuals. These individuals are often irrigation farmers who have invested much of their equity in developing their irrigation business. When water reform causes significantly handicaps their irrigation enterprise they cannot simply just leave their businesses and change careers.
- The Report provides that "in rare circumstances", policy changes that are beneficial to the wider community can impose increased risk of permanent disadvantage for some groups, which cannot be adequately addressed through generally-available adjustment assistance. We argue that in the context of water reform, this situation is not rare, but rather a reflection of the situation for many irrigation communities, industries and individuals in the Murray Darling Basin.
- The Report appears to then criticise the main community adjustment mechanism implemented via the Murray Darling Basin Plan, being irrigation efficiency water recovery programs due to this type of program "conferring benefits on a minority, and larger-than-necessary costs on the broader community". The Report argues that when compared to a program of open-tender buybacks, efficiency programs:
 - cost the taxpayer more;
 - disadvantage entitlement holders who participated in earlier buy-back programs; and
 - disadvantage rural communities who had more water recovered via buy-backs (when compared to similar communities who had more water recovered via efficiency programs).

The Rice Industry is dismayed by this position taken by the Commission, and argues that the Commission has totally ignored the findings of a number of recent reports and inquiries regarding the long-term impacts of buy-backs on irrigation communities when compared with efficiency programs. In particular, these reports point to the fact that the overall benefit of efficiency programs significantly outweigh the benefits of a buy-back program, both at a local and national scale, and not least due to the fact that the efficiency program allows the irrigation sector to maintain its productivity and economic contribution to a much greater degree, when compared to buy-backs.

The Rice Industry also argues that the Commission has contradicted itself by stating further on in the section that *"Any further assistance should ... be focused on supporting communities to adapt to a future with less water. Measures should aim to improve adaptive capacity and secure employment or business opportunities and be targeted to individuals who are most vulnerable"*. This is precisely what the on-farm irrigation efficiency programs achieved.

- Finally, the suggestion that industry assistance and grants be avoided is ridiculous. Broad community adjustment is best facilitated through supporting impacted industries to grow more with less – through research, development and extension, commodity market development and irrigator education. Industry in particular delivers the vast majority of these services, often with the help of government grants and assistance. These forms of assistance should be encouraged, not avoided.

RICE INDUSTRY RESPONSE:

The Rice Industry seeks that this draft NWI renewal advice 12.1 be redrafted to take into account the concerns of the Rice Industry outlined above.

Conclusion

In conclusion, the Rice Industry wishes to reiterate some of the key points made above.

In particular, the Rice Industry is extremely disappointed that despite the Commission's finding that climate change and the resulting impact on reduced water availability is arguably the most serious risk facing water management in Australia, the Commission has only looked to one tool to manage this risk. That is, reducing water availability to the productive sector.

This is despite the productive sector using less than half the available water supply, and in the case of one of our most advanced major water systems, the Murray Darling Basin, having already been subject to major cuts in water availability (and resulting improvements in water use efficiency).

We argue that solutions to managing water availability should consider all available water, not just the consumptive pool, and that there are a number of solutions available to government to manage this risk that are significantly more equitable, sensible and innovative and hence should be explored in the first instance.

The Rice Industry welcomes the Commission's findings that River systems should be managed within their physical constraints, and that the needs for water availability should be balanced against the impacts on water users. We believe that this is a key principle that should inform future management of the Murray River system.

However at the same time, the Rice Industry is of the opinion that the Commission's has completed missed the mark with its recommendations with respect to community adjustment. The suggestions offered understate the complexities associated with adjustment, and propose solutions that simply do not even touch the sides of this massive issue. The focus should be on facilitating water users to do more with less, thereby maintaining productive capacity and the economic and social fabric that underpins impacted communities - not transitioning impacted individuals to new job and business opportunities that simply do not exist.

Lastly, we are thankful for the Commission's acknowledgment that there is a need for significant improvements in the way governments work with impacted industries, communities and individuals in devising and implementing water reform. To this end, we re-emphasise our suggested additional NWI objective, calling for stakeholders to be part of the co-design of future water reform through genuine and meaningful engagement.

THANK YOU AND CONTACTS

The Rice Industry again thanks the Commission for the opportunity to provide a response to this Report and looks forward to release of the Final Report.

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Laurie Arthur
SunRice Chair

Julian Luke
SunRice Head of Corporate Affairs

The RGA also notes that it is a member of the National Farmers' Federation, National Irrigators' Council and NSW Irrigators' Council, and supports the submissions provided by these organisations.