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SUBMISSION PAPER

Productivity Commission
National Water Reform

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About this Submission

This document has been prepared by Macquarie River Food and Fibre (MRFF) for the Productivity Commission who is undertaking an inquiry into progress with the reform of Australia's water resources sector, with particular emphasis on the progress of all Australian governments in achieving the objectives, outcomes and timelines anticipated under the Intergovernmental Agreement on a National Water Initiative (NWI).

This submission will focus on issues experienced in the Macquarie Valley.

Key Messages

The process of determining recovery targets was flawed because the targets were determined without consideration of all scenarios and after the recovery process had begun.

As a result, the Macquarie Valley has been grossly over-recovered by some 65 GL or over 3 times the 20 GL target of the Draft Basin Plan released in 2012.

This has resulted in lost production of $90 million per year, and will continue to create wide and deep negative socio-economic impacts in the region.

This has come at a cost of $440 million to the taxpayer.

There is a risk that once productive water in the Macquarie Valley will be used to prop up water recovery commitments from other NSW and Queensland valleys.

Key Issues

1. The process of determining recovery targets in the Macquarie Valley.

   The process of determining recovery targets was flawed from the beginning because the targets were determined without consideration of all scenarios and occurred after the recovery process had begun.

   - Water recovery in the Macquarie Valley occurred prior to the release of the Murray Darling Basin Plan and focussed on accumulating water, "without a strategy and without regret". This was the political catch phrase in 2009. The Twynam water purchase by the Commonwealth for $302M in this period was devastating to the Macquarie Valley regional economy. This single transaction would have to be one of the biggest social injustices in water reform as all three valleys that are considered to be over recovered, have been affected.

   - To date, the volume of water required to be recovered has NOT been determined, rather MDBA have advised that it was reverse engineered to match the volume of water that has been recovered in this valley. The MDBA has continuously stonewalled debate, hidden behind its model that is littered with poor and unrealistic assumptions to deliver an aspirational outcome that is not deliverable and is at the expense of our regional prosperity.

   - Recovery targets were tested against modelling that did not include a model of all existing available environmental water holdings including the environmental water allowance and all NSW state held environmental water. Had this been done, then 3 of the 4 Specific Flow Indicators (SFI) for the Macquarie Valley were being achieved before Commonwealth intervention. (Appendix 1)

   - Considerable progress had been made by ALL stakeholders during the Macquarie Cudgegong Water Sharing Plan (2004) planning process to support strong environmental outcomes in this valley including an environmental water allowance (EWA) of 160 GL or similar volume to 20% of the General Security entitlements.

2. The outcomes of the NWI implementation are not measured by real outcomes.

   The real outcome of the NWI is a 30% reduction in production.

   - The Commonwealth now holds over 20% of the general security water. Together with the NSW State Government, 42% of water held in Burrendong and Windamere Dams are Government managed.

   - Production into the future will be reduced by 30%, costing the local industry around $90 million each year.

   - 2 of the 4 Cotton Gin processing plants in the Macquarie Valley are likely to close over the next couple of years.

   - NWI has induced a boom/bust cycle in the Macquarie Valley, as all tradeable temporary water has evaporated through buyback and PIIOP schemes. This trade market used to support the irrigation industry during drier sequences.

   - The documented outcomes are measured by the 4 SFIs. These do not represent real environmental or ecological outcomes. The 4 SFI's are modelled flow volumes over given periods of time at one location. SFI's are reported as a frequency in percentage of years.

3. Is the cost justified?

   The large cost involved is not justified by a very small increase in achievement of SFI.

   - The cost of recovering this water was $440 million.

   - There was only a very small modelled incremental increase in achievement of SFIs as volume of water recovered increased.

4. Are infrastructure programs generating real savings in water to users?

   Only 20% of the water savings from PIIOP projects in the Macquarie Valley came from reduced transmission losses, nearly 80% of the recovered water was buyback by another name, and not reported as such.

   - PIIOP was designed to use water efficiency projects to create water savings that could be transferred to the Commonwealth in return for funding.
   - PIIOP projects in the Macquarie Valley were estimated to reduce transmission losses by approximately 8,000 ML/year, which represented only 21% of the recovered water.
   - Despite Commonwealth programs such as PIIOP being promoted as Infrastructure projects, 79% of water savings generated under PIIOP projects in the Macquarie Valley was estimated to come from sale of entitlements to the Commonwealth.

As a result of implementation of the NWI in the Macquarie Valley to date, water resources have been over-recovered by some 65 GL or over three times the 20 GL target of the Draft Basin Plan released in 2012.

This has resulted in, and will continue to create wide and deep negative socio-economic impacts for years to come.

Over-recovery in the Macquarie Valley needs to be addressed as a matter of urgency to restore faith in the industry and rebuild some reliability to users.

The outcomes of the implementation of the National Water Initiative are not in the best interests of the Macquarie Valley or the nation.

A focus of this water reform inquiry should include environmental management and efficient use of environmental water.

We are happy to provide any further information to support this submission and your inquiry.

About MRFF

Macquarie River Food and Fibre (MRFF) represents the interests of over 500 irrigated food and fibre producers in the Macquarie Valley in western New South Wales. We exist in support of our members' vision for an efficient, productive and profitable irrigation industry in the Macquarie Valley. Our membership comprises:

- Water Access Licence holders in the Macquarie regulated river system, including both riparian irrigators and the individual members of the valley's off-river irrigation schemes; and
- Aquifer Access Licence holders in the Lower Macquarie Groundwater Sources.

MRFF is supported by a number of associated local businesses and service providers. MRFF is a member of the NSW and National Irrigators' Councils.

MRFF is committed to a healthy river and efficient use of our water resources to underpin our industry, local communities and the environment.

Yours Sincerely

Michael Egan

Chairman

APPENDIX 1

Table 1. Achievement rates of Macquarie Castlereagh SDL Zone Specific Flow Indicators.

Indicator	Target Range	Without Development	Baseline **(~21 GL Riverbank Recovery**)	Benchmark 1 **(65 GL recovery)**	Benchmark 2 **(84 GL recovery)**
Achieve a total in-flow volume of 100GL over 5 months between Jun to Apr.	80-85%	91%	80%	87%	85%
Achieve a total in-flow volume of 250GL over 5 months between Jun to Apr.	40-50%	66%	35% (only **5%** gap)	46%	48%
Achieve a total in-flow volume of 400GL over 7 months between Jun to Apr.	30-40%	48%	27% (only **3%** gap)	36%	37%
Achieve a total in-flow volume of 700GL over 8 months between Jun to May.	17%	18%	17%	18%	18%

Indicates target range met