

26-4-2018

Commissioners Doolan & Madden,
Murray-Darling Basin Plan: Five-year assessment,
Australian Government Productivity Commission,
basin.plan@pc.gov.au

Dear Commissioners Doolan and Madden,

Re: Murray-Darling Basin Plan: Five-year assessment

Introduction

Commissioners Doolan and Madden we commend you on your review of the progress of the Murray-Darling Basin Plan (MDBP) at this the 5 year mark.

We are not a farming organisation but rather a plastics manufacturer based in Brisbane and have been working closely with cotton farmers over the past two years in the development of our system to automate flood furrow irrigation. Our system is called Smart Syphon.

Over the past 12 months we have been talking with farmers in NSW and QLD both small and large about our system and water efficiency.

Through this process we have formed the view that despite the good intention of the MDBP at the grass roots level this plan is insufficient to facilitate wholesale change.

Water is the base denominator supporting the balance sheets in this industry.

Agriculture in its simplest perspective is the conversion of water to profit.

The greatest impediment to the MDBP is this fundamental economic dilemma, giving up water is to give up the prime asset supporting the established economics in this industry, water.

Removing water from agriculture without water efficiency/productivity gains is catastrophic to the regional economies.

Proposal

Our economy is a market based system with our governments endeavoring to direct investment through policy.

In the case of the Murray Darling Basin Plan investing in water efficiency improvements to receive the saved water for the environment has had measurable success but is limited through design. Strategically it is an investment strategy, not market based.

What is missing is the disincentive/incentive in the water market to produce the competitive environment in the market to provide the desired outcomes.

Our suggestion is that a proportionate discount system be introduced into the water market whereby growers that have invested in water efficiency are provided up to 30% discount to purchase water in the market.

Studies have demonstrated that up to 30% efficiency is achieved through automation. USQ are the leaders in this space.

The net effect will be that the growers that have made the investment will receive the water and use it more productively. Being the aim of the MDBP.

As a nation we retain the agricultural revenues generated in the region's through efficiency gains. Minimising the social and economic disruption that is the direct impact of removing water from the system without retaining production.

Growers that are unwilling to invest in water efficiency measures will be out bid in the market and limited to how much water they can purchase.

Inefficient water use farmers will have to pay up to 30% more to buy water over the ones that are efficient.

Water efficiency will be the prime objective of the industry through competition for water in the market.

By adopting this simple measure the objectives of the MDBP will be realized through competition.

In providing this differential in the market, productivity of the water sold will increase through a market based mechanism so the net result will be that the revenue ratio from water to profit will increase.

Growers will be compelled to invest through competitive disadvantage creating jobs through investment in the regional economies.

System costs are between \$600 and \$3000 per Ha.

When you consider the area of cultivation under cotton this small policy change will result in significant economic activity in regional QLD and NSW over the next 10 years.

As productivity and profitability improves per megalitre of water consumed by agriculture the water allocation to this sector can be reviewed without economic harm.

Summary

Murray-Darling Basin Plan is an investment strategy and limited to achieve the desired goals.

Market incentive is required to achieve water efficiency without economic harm and we would propose that the most effective way of realising this is through the water market.

Introducing a market based mechanism to drive water efficiency maximisation in this sector will provide certainty for investment and the fastest possible means of achieving sustainable change.

Market based policies are the foundation of our economy and necessary for a non-partisan means of achieving change.

Good policies remove politics from the debate and provide our very valuable regional communities with a future being guided through intelligent policy rather than the uncertainty created by the imposition of policies driven by opportunistic minority political positions that are vastly removed from the consequences of their positions.

It is incumbent of our government to provide a market based policy to guide one of our nation's most significant assets, the Murray Darling Basin.

Sincerely

Gavin Kelly