

24 March 2021

National Water Reform 2020
Productivity Commission
Locked Bag 2, Collins Street East
Melbourne, VIC 8003
Via: Online Portal

Dear Sir / Madam

Draft Report of the National Water Reform

Thank you for the opportunity to provide input to the Productivity Commission's Draft Report of the National Water Reform.

Queensland Cane Growers Organisation Ltd (CANEGROWERS) is a not-for-profit public company with the sole purpose of promoting and protecting the interests of sugarcane growers since inception in 1925.

Representing over 70per cent of Australia's sugarcane growers, CANEGROWERS is the peak body for the sugarcane industry. With 13 district offices in Queensland, our strong regional presence ensures that services and advocacy are provided in local communities as well as at the highest levels of industry and government decision-making.

CANEGROWERS is also an active member of both the National Farmers' Federation (NFF) and Queensland Farmers' Federation (QFF) and has contributed to and endorses the points raised in their responses to the Commission's draft report.

The National Water Initiative (NWI) has provided an important framework which has guided policy reform in relation to the efficient use of one of Australia's most scarce resources – water. In all communities, water is a fundamental resource. In rural and regional Australia, it is the life blood sustaining economic activity and local communities. Reflecting this, reforms to the NWI must instil confidence, to invest and confidence in the long-term sustainability of reliant communities.

By recognising multiple policy objectives and rules surrounding the allocation of water States and Territories committed to establish water access entitlements and planning frameworks that adhere to specific principles on the basis this would enable the sustainable use of water for a variety of purposes: social, environmental, and economic. CANEGROWERS recognises and acknowledges the use of water for each of these purposes.

Economic Use – Irrigation

It is important that rules around the allocation and pricing of irrigation water are designed to ensure the economically efficient and sustainable use of that water. With prices reflecting the cost of sourcing and applying the water, irrigators naturally apply water to its best use on farm taking account of their production systems, the value and needs of different crops, the rotation of those crops and changing weather patterns and climate conditions. It is a concern that the Queensland government has elected to walk back from this approach to pricing irrigation water.

CANEGROWERS welcomed the Queensland government's 2020 announcement that water charges for sugarcane growers would be reduced by 15%. However, the second part of that same announcement, was a 50% reduction in water prices for fruit and vegetable growers. This appears to represent a significant departure from NWI pricing principles. The objective of the two-tier pricing policy is to support jobs in the fruit and vegetable sector as part of Queensland's response to COVID-19. The two-tier price approach means that farmers who grow both sugarcane and fruit and vegetables and pump irrigation water from the same source and through the same infrastructure will face a different price depending on which crop the water is destined to irrigate.

The water price differential has created a significant and artificial incentive for farmers who irrigate crops in Queensland to switch crops. CANEGROWERS does not question that some sectors of agriculture may need additional support in response to the challenges raised by COVID 19. However, we do question how the support is provided. We are encouraging the Queensland Government to make good its promise to reduce irrigation water prices and do so by reducing the cost of all irrigation water by 50%. If additional support is required in any sector to retain jobs, other more targeted government support programs would better deliver this outcome. Water prices should be left to signal the prudent and efficient cost of delivering water, leaving irrigators to choose how to best use that water.

To ensure integrity and confidence in water pricing arrangements, CANEGROWERS recommends all parties to the National Water Initiative reaffirm their commitment to implement water pricing policies that promote the economically efficient and sustainable use of water. Water prices should not be set on the basis of the crop or paddock to which the water is applied.

Water Meters

CANEGROWERS supports the broad metering principal outlined in the modernised objective 6. that there be 'a system of water metering, measurement and accounting, coupled with effective compliance, that promotes water user and community confidence in the integrity of water management and water markets. However, this support comes with an important caveat. In terms of water metering, measurement, and accounting, one size does not fit all.

In its initial submission to this inquiry CANEGROWERS noted that Australia is a large country with many different climate zones and many different irrigation water use profiles. The needs of Queensland's coastal irrigation zones are clearly different to those of western Queensland and the wider Murray Darling Basin Irrigation Area (MDBIA).

CANEGROWERS understands the need for metering in areas of the state and in irrigation schemes in which water is a scarce resource. However, water is not a scarce resource in all areas.

In the wet tropics, unlike the MDBIA, there is usually ample water. Managing the flow of water across farms is the norm. Even so, in this zone many farmers have bores to supplement their water requirements. Many of these bores are rarely used and when they are, minimal amounts of water are drawn. In these situations, the installation of meters and especially any requirement for meters to have telemetry would be redundant with the resulting benefit from both farm and wider national water management perspectives likely to be significantly less than the additional costs.

In other regions, such as Queensland's Coastal Burnett Groundwater Management Area where bores have been and are well monitored by the State Government, there appears little value in adding another layer of monitoring.

In each situation, additional metering would add costs to farm operations without delivering either efficiency gains on farm or environment benefits. In short, the gains will not outweigh the added costs and the industry's international competitiveness would be diminished.

While CANEGROWERS supports the need to meter and measure water use, the standards required for compliant meters often makes them too expensive and therefore impractical for landholders to use. The cost of maintenance and repair are also important considerations.

It is important that the modernised objectives of the NWI recognise both this diversity and the cost effectiveness of proposed metering solutions to ensure they are fit for purpose.

CANEGROWERS recommends that modernised objective 6. be recast to read '6. A fit for purpose and cost-effective system of water metering, measurement, and accounting, coupled with effective compliance, that promotes water user and community confidence in the integrity of water management and water markets.

Conclusion

To manage Australia's many different climate zones and many different irrigation water use profiles. It is important that:

1. Government's recommit to the fundamental pricing principle that promotes the economically efficient and sustainable use of water with prices linked to the prudent and efficient costs of delivery rather than on the basis of the basis of the crop or paddock to which the water is applied.
2. Modernised objectives and policy framework for the NWI allow scheme-specific local knowledge to be integrated into decision-making processes.

Should you require any further information please contact Warren Males, Head-Economics,

Regards

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