



EF10/311

29 November 2019

Director
Murray - Darling Basin Inquiry
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601

Dear Director

Re: Submission to ACCC Murray-Darling Basin Water Markets Inquiry

Introduction and Background

Thank you for the invitation to provide a submission to ACCC's Inquiry into Murray-Darling Basin water markets. Leeton Shire Council commends the ACCC in seeking the views of water users and stakeholders in the Murray-Darling Basin through this submission process and the public consultation sessions.

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.

The region's diverse range of products includes wheat, rice, cotton, poultry, oranges, grapes, barley, cattle, wool, hay, canola, nuts, dairy, vegetables and aquaculture. During 2015-16, the Western Riverina produced over \$1.4 billion in agriculture representing the greatest proportion in agricultural production in NSW or Australia. (ABARE, 71210DO010_201516 Agricultural Commodities, Australia-2015-16).

As highlighted in this submission, 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.

Trends and Impacts

With the separation of water access entitlements from land titles in the mid-2000s, investors who are not primary producers have the ability to buy and trade temporary or permanent water as a commodity. Water entitlements can and are increasingly being accumulated by major investors (some foreign) who are gaining a disproportionate market share / power with no connection to the land and/or whose ownership of water is directed solely at profit making for profit sake and not to foster agriculture in Australia.

Farmers who have a long history of requiring water to produce crops and food are being placed at a major disadvantage. Water should be available for the benefit of the entire region that was specifically founded upon water availability and irrigated agriculture, not just for large corporates and investors with no responsibility or history of primary production.

Therefore, as stated in Council's Water Policy Position Statement (attached), water should be traded to optimise agricultural endeavour and should not be treated as a commodity for speculation. Further, the ability to carryover water is essential for water entitlement holders and we recommend that carryover ability is maintained in future water trading markets but with improved fairness and increased standardisation.

In recent years, large-scale permanent plantings (especially nuts) have also proliferated. The viability of these plantings is based on the value of their product per megalitre of water consumed, which is significantly higher than traditional crops such as rice.

The capacity of these permanent planting operations to pay around \$800 per megalitre for General Security (GS) water is impacting the price of water. Under current drought conditions, this places the price of water well beyond the reach of those growing annual crops. Diversity of crop type has been the strength of the MIA for over one hundred years and has increased our resilience. Without that diversity our established industries that have built up over many decades will be threatened, impacting local jobs, our local economy and our local community. Further losses in agricultural diversity also poses a serious threat to national food security and will drive up food prices for Australians.

While we don't advocate restricting farmers' rights to farm, we do advocate that the true cost of delivering water to greenfields sites 'down' the system needs to be addressed.

The current rules on triggers for opening and closing of intervalley trades are generally not well understood and better communication / education is required.

Whilst Council understands that there will always be some degree of conveyance loss with system movements, the more water that is moved downstream, the greater the conveyance loss. This in turn reduces the available allocation for GS water entitlement holders in the Murrumbidgee Valley. It is untenable for high value cropping and water entitlements favoured by permanent plantations to dominate the market.

Our region has a strong history of entrepreneurial spirit contributing to its success and this has been supported by significant investments such as on-farm works and industry infrastructure. Governments have also invested heavily in schemes to optimise economic, social and environmental outcomes from water use. It is in the nation's interest to protect the region's assets and investments that have made by both communities and governments over many, many decades.

For example, in recent years, the Australian Government funded a \$347.6M Private Irrigation Infrastructure Operators Program for works aimed to improve the efficiency and productivity of water use and management of private irrigation networks to deliver savings for the environment. Water trading rules should optimise the use of established on off-farm and off-farm infrastructure to ensure the sustainability of these schemes and the most efficient application of available water for agricultural production.

Council calls upon governments to acknowledge and formalise the relationship between responsible land-use planning and water policy. A moratorium must be applied on all new water license for greenfield irrigation developments pending review of the system's capability to deliver water to support more development without adverse third-party impacts and/or environmental impacts. It is counter-productive to develop off-farm irrigation infrastructure schemes to water new permanent plantings if they jeopardise the efficiency and effectiveness of existing ones and undermine the resilience of local economies to withstand market fluctuations and drought or harness extra opportunities in good rainfall years.

Another area of concern relates to the lack of market transparency and regulation in the water trading market. Water brokers/traders do not have to be registered and are not regulated. Regulation is imperative to prevent any market manipulation and price gouging and to provide greater transparency to all water users.

The ability for traders/brokers and irrigation infrastructure providers who are responsible for approving trades to conduct their own trade activity is also of concern. Whilst we are unaware of any conflicts of interest, this 'ability' increases the risk of potential corruption. Entities involved in trade approvals should not have the ability to trade water themselves freely without adequate regulated controls and information disclosure.

Trading activity information that is currently available on Water NSW's website is difficult to find, navigate and understand. The information does not display which trades are associated with buying or selling land, does not provide names of buyers and sellers (only licence numbers) and does not provide real - time information.

Council calls for more detailed, accessible, user-friendly and real-time information to be published on trading activity and for there to be consistency in the provision of the types of information across the various trading States. This will provide better transparency to all water market participants who can then make informed trading decisions (including whether to enter or exit the markets).

More transparency is also required around environmental water holdings and the trading of environmental water. Governments need to commit to ongoing and effective monitoring of environmental water projects and the outcomes of efficiency projects (both on and off-farm) and routinely make these findings public.

Leeton Shire Council reiterates our support towards 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.

Ironically, unforeseen water market outcomes are eroding the underlying principles of Australia's water reform agenda such as the Murray-Darling Basin Plan and several other plans such as the National Farmers' Federation 2030 Roadmap Australian's Agriculture's Plan for a \$100 billion Industry (supported by the Federal Government) and the NSW Government's Economic Development Strategies. Consequently, the vision of other government initiatives to ignite investment, create jobs and facilitate resettlement opportunities in the region will not be fully realised.

Council encourages political fortitude to ensure the various rules and plans work in tandem to complement each other and enable balanced economic, social and environmental outcomes to be achieved for the greater good of the region.

Thank you for your consideration of our feedback and for your invitation to participate in this vital Inquiry. We look forward to receiving a copy of ACCC's draft report and, in the longer term, a copy of ACCC's final report.

Yours faithfully



Paul Maytom
Mayor

Enc: Leeton Shire Council Water Policy Position Statement

1. Council supports the aspiration to achieve a Murray Darling Basin River System that is healthy and can sustainably support a prosperous, diverse irrigated agricultural sector and its communities.
2. Council endorses the recommendations of the Productivity Commission's 5-year assessment inquiry into the implementation of the Murray Darling Basin Plan and asks that Ministerial Council and Governments respond expeditiously.
3. Council endorses the 'neutrality testing' criteria agreed by Ministerial Council for the 450GL 'upwater' and seeks the routine and accurate application of these criteria to ALL Basin Plan actions together with genuine and timely engagement with local communities by officials who have the appropriate authority to make decisions.
4. Council seeks immediate State and Federal Government action to claw back public confidence in the Basin Plan and arrest any circumstances working against its intent:
 - i. Governments need to commit to the cap on water buybacks. Irrigation communities cannot endure further loss of productive water through direct buybacks. Additional water recovery should focus on on-farm and off-farm efficiency measures and diversion adjustment mechanisms that will see agricultural productivity sustained or improved using less water, with the contracted 'savings' redirected to the environment.
 - ii. Governments need to commission an inquiry into the water market and water trading rules to achieve greater transparency, 'real time' market information, appropriate regulation and fairer systems. Water should be traded to optimise agricultural endeavour and should not be treated as a commodity for speculation. Water pricing should be free from investor or market manipulation and non-competitive conduct. Water trading rules should optimise the use of established off-farm irrigation infrastructure to ensure the sustainability of these schemes and the most efficient application of available water for agricultural production.
 - iii. Governments need to acknowledge and formalise the relationship between responsible land-use planning and water policy. Diversity of agricultural endeavour and value adding manufacturing is our strength as communities. A moratorium must be applied on all new water use licences for greenfield irrigation developments pending a review of the system's capability to deliver water to support more development without adverse third party and/or environmental impacts. It is counter-productive to develop off-farm irrigation infrastructure schemes to water new permanent plantings if they jeopardise the efficiency and effectiveness of existing ones and undermine the resilience of local economies to withstand market fluctuations and drought or harness extra opportunities in good rain years.
 - iv. Governments need to adjust Water Recovery Plans to accommodate new science. This includes reviewing the currency of the modelling assumptions for the 450GL 'upwater' recovery target and the overall system's capacity to deliver the water.
 - v. Governments need to commit to ongoing and effective monitoring of environmental water projects and the outcomes of efficiency projects (both on and off farm) and routinely make these findings public.



Mayor Paul Maytom

Adopted 22 May 2019