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SOUTH AUSTRALIAN MURRAY IRRIGATORS INCORPORATED

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South Australian Murray Irrigators (SAMI)

Submission to the

ACCC – Review of Water Charge Rules Draft Advice

March 2016

South Australian Murray Irrigators Inc. (SAMI) is a privately funded irrigators group that supports irrigators along the River Murray from the South Australian border to the Coorong and Murray Mouth. SAMI represents irrigators' interests, particularly on business inputs such as water resources. SAMI currently has 150 members, including both private and trust irrigators, and represents over 1000 South Australian River Murray irrigators holding 103,250 ML of River Murray water. SAMI members irrigate a wide range of food produce including annual crops such as potatoes, onions, carrots, and permanent plantings of citrus, stone fruit, wine grapes and table grapes, avocados, olives, almonds, pistachios and fodder.

SAMI would like to thank the ACCC for this opportunity to provide the following comments for your consideration.

First and foremost irrigators look forward to the removal of barriers to trade. Irrigators support an open fair and transparent water market with known transaction costs that don't double dip through the course of the trade. Water trade should be unencumbered with costs streamlined and fair for the service received. We believe an across catchment trades should reflect the price of a similar service elsewhere in the catchment.

Across the feedback received from the SAMI membership, the most burdensome fee was the state government processing and transfer fee that seem to be unjustifiably inflated. Irrigators with permanent crops and water held elsewhere in the catchment are 'price takers' when it comes to these fees as their business is dependent on the water arriving at their property. fees are multiple and compounding. For smaller trades the fixed trade costs are burdensome.

Paying for the open ended and unspecified Water Planning and Management charges is unfair and at times causing detrimental effects on the irrigation business. Over the last 10 years we have seen these fees skyrocket and effect unnecessary planning and little solid resource definitions or trigger point flow values with which to base business decisions and manage the farms assets efficiently.

Cost recovery into the future is now reliant on temporary trades occurring and this has various levels of complications and costs for the South Australian Murray Irrigator which varies depending on where the property is situated and where the trade has originated from.

Trust infrastructure will always be protected by its management board as it should. However sometimes this is in conflicting interest to the financial and delivery constraints of the individual irrigation business. The democratic governance system of majority rule is not protecting the rights of the individual landholder due to apathy, ignorance and defeatism. Many members approached ensured anonymity before giving comment for this submission.

Trusts hold bulk licences and effect internal neighbour to neighbour trades. This doesn't affect their overall water holdings and the internal trade fees are seen generally as fair for the service received.

It was mentioned that water use fees in NSW were excessive and charged where the water was not being used as it is traded (transfer fees included) and used in SA. Some fixed charges and trust exit fees were also deemed excessive.

The CEWH costs should never be sourced from irrigators as the CEWH is a whole of nation body and should source its revenue from the general tax payer or generate its own income using its own assets.

It was mentioned that there needed to be a cleared complaints and mediation process should grievances occur. This pathway should have real powers that allow clear justice and fairness to result.

The distinction between permanent entitlement traded and temporary water trades has brought with it a suite of inconsistencies that will differ depending on the business water portfolio mix and exposure to temporary water. Trade is forced when permanent crops will die without water and the fees are compulsory. Crop yields and quality are compromised when the right amount of water cannot be delivered at the right time due to an administrative reason rather than a system constraint. This type of market anomaly should be minimised.

Domestic water supplied within some trusts in South Australia shows inconsistency in pricing compared to the quality of water received. All trust supplied domestic water is untreated river water and filtration or quality enhancements are at the expense of the landholder. This domestic river water is excessively priced for what is received. Having said that many irrigators are willing

to pay this cost as it is seen to be offsetting the cost of running the whole of trust irrigation infrastructure. Blocks within some trusts are limited from trading all of their water in order to retain a minimum domestic entitlement on the block.

Most grievances expressed by members stem from the lack of a transparent, accurate and timely information interface that contains known trigger points from which business decisions can be made and banked on.

Some private trades met trouble in the years that trade caps were reached in upstream jurisdictions and their asset was stranded. Larger bulk trades were given priority within the cap limit. Those that were unable to complete their trade and take delivery of their water were still required to pay all the current fees and charges in that upstream jurisdiction. This appeared to be a managed inequity.

South Australian Murray Irrigators would like to thank the ACCC for the opportunity to detail some of the trading and fee driven issues that our members face. We are supportive of the work that the ACCC do to ensure that the Australian water trading system is cheap and easy and remains at the forefront of the world.

Yours sincerely,

Caren Martin

Chairperson

South Australian Murray Irrigators



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SA Murray-Darling Basin NRM Board
Submission – Draft Business Plan
PO Box 2343
MURRAY BRIDGE SA 5253

15th January 2016

Dear SAMDB NRM Board,

South Australian Murray Irrigators Inc. (SAMI) is a privately funded irrigators group that supports irrigators along the River Murray from the South Australian border to the Coorong and Murray Mouth. SAMI represents irrigators' interests, particularly on business inputs such as water resources. SAMI currently has 150 members, including both private and trust irrigators, and represents over 1000 South Australian River Murray irrigators holding 103,250 ML of River Murray water. SAMI members irrigate a wide range of food produce including annual crops such as potatoes, onions, carrots, and permanent plantings of citrus, stone fruit, wine grapes and table grapes, avocados, olives, almonds and pistachios, and livestock feed.

SAMI would like to raise its ongoing and repeated objection to the proposed NRM levy both Division 1 – Regional NRM levy and the Division 2 - NRM water levy. SAMI and the broader irrigation industry would like to propose that the Board consider a water levy increase of 0% and a reduction in Board budgets of 15%. It is acknowledged that this would put further financial burden on the Boards works programmes, however we as a community of levy payers, feel this is justified and necessary.

The state NRM programmes should be more reflective of the regions needs and aim to make people's lives easier. NRM Board staff need to adapt accordingly and facilitate results. As the past has shown the Board and its staff are unable to manage frugally and continuously exceed their generously gifted budgets. We would recommend that the state invest in a business review and audit of the Boards programmes for legislative relevance and affordability. Wastage and wish list programmes need to be removed from the organisation and to this end the Board management has shown itself to be protectionist and unimaginative. An independent assessment from a reputable accounting/consultancy firm not dissimilar to the productivity commission is necessary to assess the Board for the relevance of its programmes and budget affordability.

Irrigators want a Board that administers efficient and effective planning processes that respect the rights of landholders and assist in taking the risk out of business decision making. The Board

and its programmes need to assist in making life better and enhance South Australia to be a great place to live work and do business.

In expressing our concerns it has become evident that changes to the SA NRM Act may be warranted to assist in unchaining regional production and addressing Board culture. It has been commented that many feel that the NRM way of doing things has assisted in segregating many sectors of society which were once quite cohesive. SAMI would like to see NRM Act amendments that support the social and economic components emphasised in the Basin Plan. SAMI members feel that the current NRM Act places a too heavy emphasis on environmental protections at the expense of all other things. At times this is not practical or sensible and the Act needs to reflect this. It is hoped that the NRM Board would take positive action towards working with its regions and industries and work more efficiently and cohesively.

Levy Inequities

In increasing Division 1 – Regional NRM levy, SAMI members acknowledge that there has been a long standing inequity between the two taxes that needs to be addressed. The Division 2 - NRM water levy payers have continuously paid for works programmes beyond their responsibility in this region and in others. To burden again regional landholders at a time when all other cost imposts are ever increasing is an ignorance regarding the circumstances facing regional communities.

It is known across agricultural industries that the profitability of an industry goes through cycles that can change quickly due to circumstance. Many grape growers have seen an ongoing environment of backward revenues. Many businesses are still not making money and haven't recovered from low global juice prices and drought. It is suggested that the Board consider a hardship system that could take these individual cases into consideration when applying their levies. (Section 3.1.2.2 of the business plan)

SAMI members are concerned with the exuberant Division2 – NRM water levy increase and it's calculation on capital value. In most irrigators case the capital worth of the land is inflated due to their horticultural infrastructure which is already accruing the water levy. This could be rectified by capping the charge on large properties and landholdings whose value is inflated due to horticultural investments.

Again we would like to express that farmers have no problem in investing in value for money. However it has been fed back to the Board continuously that this community does not feel the results. This is not rectified by more newsletters and media releases, but by more on ground works that are meaningful and address local concerns.

Water Planning and Management Charges

It is important for this and all governments to recognise the continuity and stability that agriculture and the irrigation industry contributes to local communities. This needs to be better reflected in the policy.

The water planning documents are of utmost importance to South Australian Murray Irrigators and SAMI members have engaged in the consultation process that is afforded to us to assist with the development of a sound Water Allocation Plan for the River Murray. The benefactors of this document reach across the entire State and yet to date it has been funded by the irrigation sector, SA Water (to which we are also customers) and SAMDB regional land holders. This is an unfair and discriminatory cost burden on one industry and one region. The Water Allocation Planning process needs to facilitate policy that is advantageous to all South

Australians whilst also respecting licence integrity and the historical security nature of irrigators' allocations and their ability to use them.

SAMI members have established their businesses around the prevailing SA governments water policies and its traditionally High Security nature. The High Security of South Australian water entitlements comes in two ways;

- 1 Through the MDB Agreement's assurance of delivered minimum state volumes and
- 2 The Locks, Weirs and Barrages that control the water levels in the river and allows irrigators from the Border to the Murray Mouth to irrigate.

It is important to irrigation industries, going forward that we have solid licencing and policy systems that are endorsed with confidence by all sectors of the community. The Board needs to hear this and plan to facilitate a comfortable and predictable water trading and farm management environment for the future. This would enable sound and solid business decisions to be made at a farm level with all the relevant information being taken into account.

River regulation and the locks, weirs and barrages are recognised as state and nation building infrastructure allowing many industries to thrive. Irrigators have played their part in this and have assisted in building the State and Regional economies to the point they are today. The cost impost of managing this infrastructure should be shared by all the benefactors and in the case of the South Australian Murray River that includes every citizen of this state.

SAMI would like to question and bring attention to the inclusion of Section 5 in this Business Plan. This includes the description and policy around water affecting activities. SAMI would like to enquire if this would be better served in the Water Allocation Planning documents which are policy documents and are consulted on accordingly.

Board Inefficiencies and Works Prioritisation

The SAMDB NRM Boards spending needs to be reined in. Transparency, accuracy and honesty in motive needs to be results focused and not process focused. It is suggested that the Board look at further efficiencies within the organisation by reassessing what things it might be doing and what the NRM Board staff feel it is their wish list duty to do.

It has been our experience that the NRM Board and their staff in this region tend not to administer cohesive Natural Resources Management. The foundation directions of the Board and regional NRM Plan need to be reassessed for practicality and social enhancement. We would like to see an annual report on Board activity performance be coordinated by an organisation not affiliated with the Board or the government so we can start to live in the real world of accountability. KPIs need to be set and adhered to with penalties and remove the aspirational language from the Resource Condition Targets to ensure results.

Whilst the deliberative panel was a good idea the budget catastrophe that the Board is facing would not have been so severe if budgetary prudence had been displayed in the past. It is suggested in going forward that the NRM Board should aim to achieve at least 10% within budget and leave that 10% unaccounted to enable the payment of unforeseen costs that tend to occur and in the past the Board has covered by eternal business plan amendments. These amendments constantly place these cost burdens on the levy payer which is lazy management and this culture needs to stop. Levy dollars need to be spent wisely and with prudence.

Board staff and programmes need to be consolidated. It has been an unfair and onerous burden on irrigators to fund works programmes not relevant to water users. The SAMDB

irrigator's levies have funded the establishment of NRM programs across the state for the past 10 years. This sacrifice needs to be recognised and regarded when making decisions about the compassionate need to keep Board staff and assign programme prioritisation. Board staff should aim to maximise results without finding hurdles that allow for inaction.

During the Deliberative panel process the SAMDB Board staff displayed a lack of ability to drive and innovate the delivery of their own programmes in diminishing budgets. The solutions voiced during the deliberative panel only focused on the cutting of services to the community including more internet and less face to face. The presentations lacked innovative solutions to budget deficits and this should still occur.

SAMI members would like to express our concern over the surprise admission that the SAMDB had retained funds for its disposal when the last several years have been met with amendments that required more funds from levy payers. It was explained at the time that this was due to unforeseen budgetary pressures. This contradiction in motive and economic deception does little to instill trust in the Board objectives and the good faith estimates to fund them. It is impossible for the community and more importantly the irrigation levy payers to see where these retained funds have come from. Levy payers question if funds would they have been better served addressing budgetary short falls and not continually asking the community for more.

In conclusion SAMI would like to reiterate the point that our members feel steered through the ongoing roundabout that is NRM consultation and feel completely helpless to stop the ongoing pattern of unfettered and unaccountable NRM budgetary take. We urge the Board to not only live within its means but start to have a positive impact on the communities that the organisation aims to assist. We urge the Board to take a closer look at the need for an additional four million dollars that the Board is proposing and consider instead a 15% cut to Board programmes and a 0% increase to the Division 2 – NRM Water Levy.

Thank you for your time and we look forward to the outcome of this consultation process.

Yours sincerely,

Caren Martin

Chairperson
South Australian Murray Irrigators
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