



Review on Rural Water User Cost Share

Submission to the
Independent Pricing and Regulatory Tribunal

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Southern Riverina Irrigators

SRI is a peak organisation providing advocacy for our membership comprised of five landholder associations representing irrigators operating within the footprint of Murray Irrigation Limited in the southern Riverina of NSW.

Formed in the 1960s, SRI now represents over 1,600 water users committed to producing food and fibre through environmentally and economically sustainable practices.

Our key principles are:

- We recognise the property rights of water entitlements
- Water reform must deliver against the “triple bottom line”.

Key industries

Our region is highly productive utilising water sourced from the NSW Murray above the Barmah Choke. Industries have developed to suit the highly variable water product that is predominant in the region. Despite seasonal variabilities, we continue to produce high quality crops sustainably and efficiently contributing significantly to the gross value of irrigated agricultural production.

Industry	2015-16 (\$M) (23% water allocation)	Average 2010-2016 (\$M)
Rice	\$26.5	\$105.3
Cereals	\$72	\$60.8
Other broadacre (inc cotton)	\$10	\$10
Dairy	\$112	\$99
Livestock	\$58	\$56

Source: ABS Gross Value of Irrigated Agricultural Production 2015-16, NSW Murray

SRI provides the following commentary on rural water user cost shares. We concentrate on issues relevant to water users in the NSW Murray region.

- The current water recovery structure does not capture all water users.
- The current government-user cost share ratios do not adequately recognise the real “impactors”.

Issues for comment

SRI is pleased to provide the following comment on issues raised by IPART in the issues paper on the review of rural water cost shares dated April 2018.

1. Cost sharing principles

Cost sharing between water users and the Government is the most equitable way to recognise the public benefit gained by river management and operations; however, we are concerned that extractive water users bare the burden of recovering costs for river management while others reap the benefit.

Example:

River management and operation costs include corrective maintenance, asset management and planning (100% user share) and environmental planning and protection (50% user share). In the NSW Murray River system, our costs include MDBA charges with the same cost shares applied.

Over recent years, river operations have included measures to minimise bank erosion, restorative work to mitigate bank erosion and ongoing monitoring – particularly in the Hume to Yarrowonga reach.

In April 2017, the MDBA reported that boating activity was leading to accelerated erosion along the river and proposed a ban for wake-boats on a 52km stretch of the River – a move not supported by local tourism operators*.

In this case the impactors are boat users yet they do not contribute to river management or infrastructure operation costs at all and the increased costs to mitigate the damage is passed on to extractive water users.

Other water users make demands on river operations at no cost to themselves. Riparian landholders and those with Basic Landholder Rights access to river water demand river management activities such as notification of significant changes to river levels and flood mitigation while not contributing to the costs of operation and management at all.

There may be ways to identify other water users and recover costs; however, in the absence of this action being taken, these users should be recognised in the cost share ratios and the costs recovered from tax-payers rather than extractive water users.

2. Legacy costs and operational priority

SRI agrees there needs to be a recognition of the legacy issues of river management and operation but believes the current legacy concerns do not go far enough.

Drawing a line in the sand at dam construction pre 1997 does not recognise other regulating infrastructure that is operated for historic and non-extractive purposes. The current cost share framework lumps all other infrastructure together with 100% user cost share.

For example, works along the River Murray were not constructed solely for the purposes of delivering water to extractive water users. Hume Dam was constructed in the 1930s along with a series of locks and weirs to regulate river heights to facilitate navigation and maintain flows to South Australia. Since then many other structures have been constructed, including more than 50 water management structures within the Barmah-Millewa Forest alone, to mitigate the negative effects of river regulation at the same time as managing impacts on riparian landholders.

It has been argued that these regulating structures would not be needed if extractive water users did not exist and require river regulation; however, in the case of the Murray the need for river regulation is as much for navigation and delivery of flows to another State as it is for consumptive water use.

While we acknowledge that MDBA charges are recovered from across the jurisdictions, the portion collected from NSW is passed onto water users with the same user cost shares that are applied to WaterNSW and WAMC costs. We do not believe this approach adequately recognises the historic legacy of River Murray regulation.

Another issue is the changing priorities of river operations and regulations. The above-mentioned regulators within the Barmah-Millewa Forest are operated to deliver the Barmah-Millewa Environmental Allocation. Further, the Water Resource Plans currently being developed will include pre-requisite policy measures (PPMs) required to comply with the Basin Plan that will lead to increased management and accounting processes.

The PPMs include environmental water re-use to enable held environmental water to be “used” at multiple sites down the river system and through multiple regulating structures. While we acknowledge that environmental water managers pay equivalent charges as extractive water users, the increased management costs are socialised. For example, if an extractive user places a water order, it is delivered once. Alternatively, if the environmental water holder orders water from a preferred storage, it is released and “delivered” multiple times as it travels through the system, yet they still only pay once.

The increased costs associated with increased accounting requirements to deliver against government programs such as the Basin Plan and the Living Murray program should not be borne by extractive users alone.

3. Cost share framework

As mentioned above, SRI is concerned that the current framework is not necessarily suitable for the share Murray River infrastructure and operations.

Applying the 'impactor pays' approach based on the assumption that the impactor would not use the service if the benefit did not outweigh the cost does not appreciate that water users have no choice. Further, in River Murray circumstances, much of the river regulation structures have been constructed to manage river levels for navigation. Were the river only regulated for only extractive users' requirements many of the structures that currently exist would not be needed.

SRI contends that a different set of cost share ratios should be applied to MDBA charges to recognise the unique arrangements in the River Murray. We would suggest at least 50% of the asset management and planning, maintenance and water delivery costs are required for navigation and servicing inter-governmental agreements and therefore should not be borne by licenced water users.

4. Service based cost sharing framework

SRI is less concerned about the basis of the cost sharing arrangements (service or activity); however, we are concerned that the cost of changing the current structure will be passed onto water users. We do not believe that water users should be required to cover the costs of changes to administrative arrangements that have not be requested by water users.

Conclusion

SRI believes cost-shares are essential to recognise the public benefit of river operation and management; however, the current regime means extractive users are effectively subsidising other water 'users'.

We recommend that IPART establish the costs that would be incurred by these other users and, in the absence of being able to recover the cost directly, apply them to the Government cost share.

Gabrielle Coupland
Chair