

QUEENSLAND RURAL WATER BOARDS

[Phone:- 0749578481

Facsimile:- 0749578038]

C/- PO Box 275
MACKAY QLD 4740

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The Executive Director
National Competition Policy
GPO Box 2508
MELBOURNE VIC 3001

Dear Sir

RE: SUBMISSION TO 2004 NCP WATER REFORM ASSESSMENT

This submission deals principally with the critical requirement for irrigation businesses in Queensland to hold a group water allocation for their individual schemes in lieu of water allocations being specifically held by end users. Scheme water allocations provide for the businesses to secure their long term viability while still providing a regime for free trade in water allocations to meet the CoAG requirement for irrigation water to move to the highest and best uses with minimal barriers to trade.

Queensland Rural Water Boards (QRWB) comprises nine existing irrigation water supply boards in Queensland at this time. These boards are Statutory Authorities established under the Water Act and represent some 900 irrigators in a number of separate river catchments from Goondiwindi in the south to Ayr and Home Hill in the north of the state. QRWB was formed at a meeting of these boards in Mackay on 03 December 2003. This meeting carried unanimous support for bulk water entitlements to be held by irrigation water supply boards in Queensland.

Irrigation water supply boards have been in existence in Queensland for over forty years and have demonstrated high competence in the local management of irrigation schemes. The extension of these successful local arrangements to include facilitation of water trading within the local areas in accordance with hydrological and environmental constraints set through the water resource planning process is seen as a very logical progression of water reform in these schemes.

This can only be achieved through a scheme water allocation regime where trading rules can be set locally that recognise the specific aspects of the small catchments that these irrigation water supply boards operate within in this state. Most of the Queensland boards are in catchments where interstate and inter-scheme water allocation trading is not physically possible and hence do not create the perceived barriers to water trading for irrigation schemes within the Murray Darling Basin in southern states. The only barriers to trade are those imposed by system hydrology and by the capacity of the delivery infrastructure.

The alternative water trading regime, as proposed by the Queensland Government, is based on end users holding individual water allocations within a board scheme. Under this arrangement, large scale, centrally controlled trade of water away from a scheme or parts of a scheme has the potential to severely impact on the overall scheme viability particularly where a high debt level exists from initial establishment of the irrigation area. This is the situation in a number of board schemes in Queensland where the local community has totally funded the establishment of the irrigation areas. Further, trading of water out of an area will increase the water charges for the operation of the infrastructure that is left to deliver a smaller volume to a reduced number of customers.

The theoretical approach to the scheme viability issues under end user allocations is to propose the implementation of supply contracts between irrigators and boards. These contracts are to include excision or buy out fees for water allocation that trades away from a scheme to cover the loss of revenue for the board. QRWB holds the view that excision fees are themselves a barrier to trade once the full lost revenue cost of loan repayment, fixed operating and asset renewal costs are all factored into the calculations. A further complication is the determination of the time period for which the revenue loss is to be calculated for water traded away from a scheme.

Under a group allocation held by a company or co-operative, individual water entitlements are held as shares in the entity and can be set up to trade in a very flexible system that does not require excision fees for water moving away from parts of the scheme. This can also extend to water moving out of a scheme where the water entitlement(shares) will always retain the fixed costs of being within the scheme. This then does not preclude water allocation being used outside of the scheme subject to the physical trade barriers being overcome.

The irrigation water supply board schemes in Queensland are located within relatively small catchments compared to the Murray Darling Basin. There is very little, if any, scope for interstate or intrastate water trading due to significant physical barriers principally the very long distances between schemes in separate catchments. Minimisation of trade barriers in board areas can only focus on intra-scheme trading and some inter-scheme trading where other irrigation areas are in close proximity to board areas within the same catchment.

The proposed group water allocation in a company or co-operative structure where water trading occurs through share trading fully complies with all CoAG requirements in establishing water markets that will have water move to its highest and best use.

Queensland Rural Water Boards requests that the National Water Initiative allow for water entitlements for irrigation schemes, such as irrigation water supply boards, to be held as group or bulk entitlements for the schemes. This will ensure that these schemes can retain their viability while fully complying with the CoAG requirements for water trading.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'J R Palmer', with a long horizontal stroke extending to the right.

J R Palmer
Honorary Secretary