



NSW IRRIGATORS' COUNCIL
Level 6, 139 Macquarie Street
SYDNEY NSW 2000
ACN: 002 650 204 ABN: 49 087 281 746

Tel: 02 9251 8466
Fax: 02 9251 8477

Est. In 1981

info@nswirrigators.org.au

www.nswirrigators.org.au

Submission to the New South Wales

Murray-Darling Basin Ministerial Advisory Council

Drought Support for Irrigated Agriculture

OBJECTIVE

To establish the principles that would apply to trigger support from the NSW Government for irrigated agriculture during times of extreme hardship.

BACKGROUND

The duration and severity of the current drought has resulted in critically low water storage levels throughout NSW and zero or minimal water allocations in many valleys, including the withdrawal of allocation in southern valleys of the Murray-Darling Basin in 2006.

In response, the NSW Government deferred the introduction of quarterly billing for water charges in 2006/07, waived the fixed charges for General Security irrigators in the Lachlan Valley in 2006/07 (and previously in 2003/04) and provided an assistance package for irrigators in the Murray and Murrumbidgee who could show financial loss as a result of the cuts imposed in October and November, 2006. With the recent extensions to Exceptional Circumstances (EC) assistance, many irrigators have also been able to apply for EC Income Support and/or Interest Subsidy assistance, providing they satisfy the eligibility criteria.

The assistance provided by the NSW Government has been a response to specific circumstances rather than part of a consistent policy framework at Government level for drought support for irrigated agriculture. NSWIC recommends that the MDB Ministerial Council consider additional measures to support irrigators and rural communities in times of extreme hardship.

While water users have responded to the drought by reducing their own costs, a cost irrigators cannot reduce are fixed water charges. The current water pricing system, where charges are set 3 years in advance by IPART, provides no incentive for Government agencies or State Water to respond to drought conditions and reduce their own costs. It also requires license holders to bear the costs of running the river to provide water for non-customer beneficiaries, eg, basic rights holders, the environment and recreational users, a cost that should more appropriately be treated as a Community Service Obligation fully funded by Government. The cost of meeting obligation to non-customer beneficiaries rises steeply under severe drought conditions when most of the flow in the river is required to meet these obligations and very little is available for license holders.

Member Organisations: Bega Cooperative Limited, Border Rivers Food & Fibre, Coleambally Irrigation Co-Op Ltd, Cotton Australia, Gwydir Valley Irrigators' Association Inc., Hunter Valley Water Users' Association, Lachlan Valley Water, Macquarie River Food & Fibre, Murray Irrigation Limited, Mungindi-Menindee Advisory Council, Murray Valley Water Diversifiers' Association, Murrumbidgee Groundwater Preservation Association, Murrumbidgee Horticultural Council Inc., Murrumbidgee Irrigation Ltd, Murrumbidgee Private Irrigators' Inc., Namoi Water, NSW Farmers' Dairy Committee, NSW Farmers' Association, Ricegrowers' Association of Australia, Richmond Wilson Combined Water Users Association, Riverina Citrus, Southern Riverina Irrigators, South Western Water Users', West Corrgan Private Irrigation District, Wine Grapes Marketing Board.

NSWIC PROPOSAL

This paper proposes establishing a trigger for drought relief for irrigated agriculture, based on objective indicators of the impact of drought on the irrigation sector, which can be applied to each river.

Meeting the drought threshold trigger would result in the waiving of fixed charges, and possibly other measures appropriate to that valley.

TRIGGER

River systems across NSW have a range of expected reliabilities and any potential trigger for drought relief must accommodate this range, while distinguishing between an exceptional drought that merits relief and the normal climatic variability that irrigators can handle through their individual risk management strategies. NSWIC recommends a drought relief trigger aligned with the principles used for Exceptional Circumstances declarations, which are based on identifying circumstances that occur only once every 20 or 25 years, ie, a 5% or 4% chance of occurrence.

While there are a range of indicators that could be used to indicate an exceptional drought, water allocation reliability (yield) is recommended as the primary indicator because it is a direct and objective reflection of the impact of drought on irrigated agriculture.

Using the 1 in 20 criteria, NSWIC recommends the primary trigger be defined as when water allocation, or cumulative Available Water Determinations, as at 1 October in any year is within the lowest 5% of allocations for that valley, as determined by IQQM modelled diversions over a 100 year period in the relevant Water Sharing Plan.

Example: If the IQQM model indicated that in 95% of years the diversions in the Lachlan Valley used by General Security irrigators were equal to or exceeded 6% allocation, then if the General Security allocation at 1 October is less than 6%, the valley would be considered to have met the threshold trigger for assistance.

Secondary indicators, which could be tailored to individual valleys, may include:

- the account balance or carryover from the previous year;
- declaration of a 'severe water shortage order' for the river under s 60 (2) of the *Water Management Act 2000*, and activation of a Drought Contingency Plan for the river;
- consecutive years of zero or minimal allocation; and
- EC declarations covering the valley.

Meeting the primary indicator would result in fixed charges for that licence category being waived and possibly other relief measures appropriate to that valley.

The Government may apply some eligibility criteria to ensure that the assistance is targeted at those producers who earn the majority of their income from primary production and who have a significant reliance on irrigation.

QUARTERLY BILLING

As it currently stands, quarterly billing for water charges will be introduced for the 2007/08 year, meaning that irrigators will receive a bill for the first quarter's charges in October 2007, possibly, given the current position of storages, before most General Security irrigators have received an allocation.

By proceeding to introduce quarterly billing, the scenario in rural NSW is one where drought assistance measures are being provided by both State and Federal Governments on the one hand and will then clawed back by the introduction of quarterly billing for irrigators receiving no allocations.

Deferral of the introduction of quarterly billing is a low cost measure for Government that will provide cash flow relief to drought affected irrigators. It will ensure that equity is seen to be delivered in that a wholly-government owned monopoly service provider will not be receiving funds for no service delivery.

It is suggested that quarterly billing could be gradually reintroduced as allocations increase.

RECOMMENDATIONS

NSWIC recommends to the MDB Ministerial Advisory Council the following package of measures to assist irrigators and communities affected by the drought crisis:

1. Defer the introduction of quarterly billing for water charges for those valleys (that are not already on a quarterly cycle) where the General Security allocation at 1 July 2007 is zero, and maintain this deferral until allocations reach a specified trigger point to be determined in consultation with NSWIC.
2. Establish a drought trigger for irrigated agriculture that is aligned with the Exceptional Circumstances principles. The primary component of the trigger is that water allocation as at 1 October in any year is within the lowest 5% of allocations for that valley, as determined by the IQQM modelled diversions over a 100 year period in the relevant Water Sharing Plan.

Secondary components of the drought trigger may be the account balance or carryover from the previous year, declaration of a severe water shortage order under s 60 (2) of the *Water Management Act 2000* and consecutive years of zero or low allocation.

3. That the NSW Government waive the fixed charges for eligible license holders on those rivers where the drought threshold trigger has been met and provide other forms of drought assistance as appropriate.