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Secretary: *J. Deal*

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON
AGRICULTURE, FISHERIES
AND FORESTRY

14/02/02.

My name is Leigh Chappell and my wife and I are irrigators in the Murray Valley. I have lived and worked in the region for 25 years. I am the voluntary Secretary Treasurer of the above association and a member of the Management Committee for Groundwater Management Area (GWMA) 016. This following submission relates to this aquifer. This aquifer is the area bounded by the Corowa Urana Road in the East, the Murray River in the South, and the Billabong Creek in the North and the junction of the Edward and Murray Rivers in the West.

In February 2000 the NSW government convened a Management Committee for this aquifer. This committee is made up of all the concerned stakeholders and the Terms of Reference were as follows:

1. Develop and submit for Government approval a five-year groundwater management plan for the sustainable management of their groundwater system.
2. Monitor and report on the progress of implementing the plan to their community.
3. Report annually to the Ministers for Land and Water Conservation and the Environment on the environmental, economic and social impacts of implementing the plan.
4. Advise the government on administrative and/or legislative conditions that prevent it from effectively implementing the government's policies regarding water management.

The facts, which were known about the aquifer, were to say the least flimsy. The number of bores, or all their locations, was not known. There was 312,000ML of licensed entitlement, Sustainable Yield was guesstimated at 140,000ML and there was no recorded usage. We now have average usage for the last 3 years measured at 65,000ML. NSW DLWC commissioned model of the aquifer to be built and it determined yearly recharge or Estimated Sustainable Yield (ESY) of 84,000ML. The most important fact the model determined was that if usage was not maintained at between 65,000 and 80,000ML the upward pressure from these aquifers would push the salty groundwater to the surface, creating saltwater intrusions into the Murray and Edward Rivers and filling low lying regions with saline water.

With all these facts in mind the Committee set about developing a plan that reduced entitlements, but maintained usage. This was made difficult by government decisions. The worst was the across the board percentage cut. Every bore entitlement was subject to a 70% cut. The result of this decision will see actual usage cut to around 40,000ML, because of the 192 bores in the aquifer, 47 have no recorded usage. The Management Committee had come up with a solution to this problem, but the government would not accept it, as it had to have the percentage cut. No member of the Management Committee is happy with this, as the environmental concerns are paramount in all members' eyes. There is also the economic hardship being caused by this decision. There are 71 users who will have less water than they currently now pump. This is ludicrous in an aquifer where ESY is 84,000ML and average use is 65,000ML.

The Management Committee has now developed a proposal which involves the government compensating the above new entitlement users, so they can buy the entitlement from those who do not use it. We have to maintain usage to avoid environmental damage. However this is likely to be rejected, as the government has already produced its own Structural Adjustment Package (SAP) to apply to all

NSW aquifers. This is totally inadequate, as the attached case studies show. It once again disregards community consultation as we were told the Water Sharing Plans (WSP) drive the SAP. However, we have been given our SAP and we haven't finished our WSP. The government SAP is rendered even more inadequate by the fact that they are only going to fund half of it. This is because the original Namoi proposal had a shared SAP between Commonwealth and State. This didn't eventuate because of a difference between Anderson and Aquilina, so Anderson took his money and left.

There will be many losers and much hardship as a result of this entire debacle. One dollar of farm production in our region is turned into five for our communities. Irrigators look like losing about 20,000ML. The average ML generates about ninety dollars, so that translates into \$9 million in lost revenue for our communities annually. The three attached case studies indicate how it will affect three of the worst affected businesses. The NSW government has set aside \$30K for each Management Committee to conduct a Socio-Economic study, which examines the effects of each plan. However, this study is for the Minister to give "due regard" to. In other aquifers, this has meant the Minister recognises there will be difficulties, but because the WSP has a trading component, the irrigator can go and buy the water they have lost. Hardly fair, especially in a system, which is not stressing the aquifer.

However by for the worst result of this ill-informed and ridiculous policy is the 20,000ML reduced pumping. The effect this will have on the environment is not good. We struggle with water tables as it is. To add more to it, through this decision, based on little information or fact, and made in a Sydney office, is totally unacceptable. The government set up Management Committees for each aquifer. This indicates they thought there were problems unique to each aquifer. This is the case, but they have not let each Management Committee deal with them. They are imposing policies over decisions the local communities are making, which are based on all the facts and figures.

CASE STUDIES.

Below are three case studies of different farming enterprises in GWMA 016. I have applied the governments proposed Structural Adjustment Package to each one to show what affect this will have on each business after the new Water Sharing Plans are gazetted.

CASE STUDY 1. CROPPING ENTERPRISE.

Licence Number: 50BL196442 **Current Entitlements:** 2000ML **New Entitlement:** 600

Season	Usage
1999 – 2000	1976ML
2000 – 2001	1535ML
2001 – 2002	1850ML

Average Usage: 1787ML

Compensable ML: 1187ML

ML Value: \$400 (This has yet to be determined, but \$400 is current value of surface water)

Compensable Amount: \$474,800

Ramp Down at 10% per year at Year 5 Value: \$280,366

NSW Govt. only funding 50%: \$140,183

Invest at 4.75% for 5 yrs: \$176,790 (Best NAB rate on 3/2/03)

Able to Buy Back: 442ML

Water Now Available: 1042ML

Real Loss: 745ML

These figures indicate how inadequate this package is. This business will lose 1187ML of water. If this enterprise spent their package on buying water, which is only a possibility if the government says so, it will be able to buy 350ML. In real terms this is a loss of 837ML. Peppin Planners, an independent farm business consultant firm estimate, on an irrigated cropping enterprise such as this, one ML of water is turned into \$180. This means this business, annually, will be losing the ability to earn \$150,660. This is more in one year, than the entire package, which is supposed to cover the loss of water for the life of the farm.

Nowhere does the government mention the long-term effect in its offer. Another consideration the government has neglected to mention is the initial expenditure costs. This property spent \$270K installing the bore and since then another \$130K on developing irrigation and recycling systems. There are ways dollar values are put on this, but they are too complex for this presentation.

If this landholder went down the path of increasing efficiencies of his irrigation works, they could landform and drain an additional 70 ha. Joke. Would not have enough water to even grow winter cereals on the country already developed.

The other aspect of this equation that nobody at government level takes into consideration is the equity issue. If this property were worth \$2million the banks would require the owners to have at least \$1.1 million of equity, or 55% of the property's value. In this case, the owner's equity is being decreased \$335,000, the real loss if they are able to buyback water. This equates to almost 17% loss in equity. This could be enough for the bank to foreclose. If the bank didn't foreclose, the reality is that the business would not be able to generate enough cash flow to maintain and meet existing commitments.

CASE STUDY 2. DAIRYING ENTERPRISE.

Licence Number: 50BL196273

Current Entitlements: 2920ML

New Entitlement: 876

Season	Usage
1999 – 2000	2920ML
2000 – 2001	2920ML
2001 – 2002	2920ML

Average Usage: 2920ML

Compensable ML: 2044ML

ML Value: \$400 (This has yet to be determined, but \$400 is current value of surface water)

Compensable Amount: \$817,600

Ramp Down at 10% per year at Year 5 Value: \$482,786

NSW Govt. only funding 50%: \$241,393

Invest at 4.75% for 5 yrs: \$304,436 (Best NAB rate on 3/2/03)

Able to Buy Back: 761ML

Water Now Available: 1637ML

Real Loss: 1283ML

This business is in greater difficulty. Being a dairy, it has a very high reliance on water to grow and maintain pasture to feed the cows. This is reflected in the amount water to this enterprise is valued at. This has been estimated at between \$200 and \$400 per ML. by the same independent firm. If we take the average of this, \$300 per ML, the loss to this business annually is huge, \$394,900.

As with the rice enterprise, this does not take into account any long-term losses or losses due to money spent on current infrastructure.

The same pressures that would come to bear on the rice farm would also prevail here. Will this business be able to maintain and meet present commitments, and will the owners retain enough equity in the business to prevent foreclosure? These are questions that only a detailed Socio-economic analysis could answer.

CASE STUDY 3. OAF PIGGERY ABATTOIR.

Licence Number: 50BL197258 **Current Entitlements:** 1000ML **New Entitlement:** 300

Season	Usage
1999 – 2000	1000ML
2000 – 2001	1000ML
2001 – 2002	1000ML

Average Usage: 1000ML

Compensable ML: 700ML

ML Value: \$400 (This has yet to be determined, but \$400 is current value of surface water)

Compensable Amount: \$280,000

Ramp Down at 10% per year at Year 5 Value: \$183,708

NSW Govt. only funding 50%: \$91,854

Invest at 4.75% for 5 yrs: \$110,588 (Best NAB rate on 3/2/03)

Able to Buy Back: 276ML

Water Now Available: 576ML

Real Loss: 424ML

This is a commercial business employing 400 people. As you can see it uses all the water available to it every year. It has built its business around this amount of water. It has targets to meet and operates in an extremely competitive environment. To replace that real water lost, the company would have to build another pipeline from the Murray River to the plant, the existing pipe is running at full capacity, approximate cost \$5 million. It would then have to enter the high security water market to buy the 424 ML it has lost. At a cost of \$800 per ML, that would add another \$340K. This is not an option. According to the plant manager, if the operation was to lose any water, the entire operation would become uneconomic, and the plant would close down, at a cost of 400 jobs.

Facts such as these do not seem to interest the government. They made their decisions in August of 2001, completely ignorant of any facts and figures and effects, and expect the Management Plans to reflect these. The terms of reference for our Management Committee don't seem important now. The environmental damage caused by the under use of the aquifer has failed to ignite a rethink in government circles. Hopefully this submission may.

Leigh Chappell

Secretary/Treasurer