



Submission to the Department of Environment,
Land, Water and Planning in response to the
Water for Victoria discussion paper

By

Victorian Farmers Federation

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Foreword

The Victorian Farmers Federation (VFF) is Australia's largest state farmer organisation, and the only recognised, consistent voice on issues affecting rural Victoria.

The VFF consists of an elected Board of Directors, a member representative Policy Council to set policy and eight commodity groups representing dairy, grains, livestock, horticulture, chicken meat, pigs, flowers and egg industries.

Farmers are elected by their peers to direct each of the commodity groups and are supported by Melbourne-based staff.

Each VFF member is represented locally by one of the 230 VFF branches across the state and through their commodity representatives at local, district, state and national levels. The VFF also represents farmers' views at many industry and government forums.



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EXECUTIVE SUMMARY

The Victorian Farmers Federation (VFF) has consulted its member base widely in the formulation of this response to the government's Water for Victoria discussion paper. VFF members have demanded a greater focus on meaningful action to assist the agricultural industry to adapt to different rainfall and water availability scenarios. Irrigation water users want improved water market intelligence and changes made to entitlement conditions that allow greater access in unregulated systems. Stock & domestic water users want surety of supply in dry conditions and to see government formulate a strategy to guide investment in Victoria's stock & domestic water system.

Recommendation 1

That an exposure draft of the Water Plan be released for comment before publication and adoption as government policy.

Recommendation 2

The VFF supports the measures under strategic direction 9.2 to increase transparency in the water market.

Recommendation 3

That the Water Plan support exploring the use of alternative water sources in key peri-urban irrigation districts.

Recommendation 4

That government formulate a stock & domestic water strategy to guide investment and manage future shortages.

Recommendation 5

That government undertake a comprehensive stocktake of Victoria's stock & domestic water supplies and shortages.

Recommendation 6

That the government;

- Clarify the definition of an emergency and who can access emergency water;
- Clarify the pricing policy with consideration of the affordability of current arrangements;
- Clarify the responsibility for management of Emergency Water Supply Points, including the role of local government and water corporations;

Improve the visibility of information on the availability, location and accessibility of supply points.

Recommendation 7

The VFF support an *investigation* into the costs and benefits of and licence holder support for the conversion of section 51 take and use licences into other products such as water shares.

Recommendation 8

That licence holder support is secured before conversion of section 51 licences in any system.

Recommendation 9

The VFF supports action by the government to improve current entitlement holder access to harvest water in high flow periods, within allocation.

Recommendation 10

Government makes the necessary legislative changes to allow for advanced allocation in unregulated systems.

Recommendation 11

That the proposal under strategic direction 8.2 to introduce mid-term reviews of the Sustainable Water Strategies not be accepted by government.

Recommendation 12

The VFF conditionally supports the concept of a southern market trial but seeks further clarification on;

- How rural water corporations and rural water users will be or could be included in the southern market trial;
- How rural water supplies will be protected from proliferation by urban water corporations.

Recommendation 13

That the Water Plan addresses how government intends to encourage water literacy amongst the Victorian population.

Recommendation 14

That the Water Plan promotes and encourages the efficient management of environmental water.

Recommendation 15

That the Water Plan promotes rural water user representation on water corporation boards.

Recommendation 16

That the Water Plan encourages urban water corporations to actively consider impacts upon rural water users in water resource management decisions.

Recommendation 17

That the Water Plan provides assurances that mitigation or adaption proposals will not adversely impact rural water users.

Recommendation 18

That a shared benefits model to the management of environmental water is pursued to achieve cultural and recreational outcomes, in the first instance.

Recommendation 19

That a voluntary partnership approach continue to be utilised for the implementation of all riparian management projects, particularly for fencing of waterways and stream management works.

INTRODUCTION

Water markets in Victoria have developed significantly in the past two decades. Government policy, climatic conditions and water use trends have influenced supply and demand factors, resulting in a water resource landscape with a troubled past and an uncertain future. Victorian farmers require government policy that provides certainty to Victorian farmers so they can invest with confidence and produce with reward.

The agricultural industry is inherently reliant on the health of our environment and water resources and accepts the need to ensure the sustainability of our river systems. Despite this, many sections of the industry and the communities they support have been strained as a result of water recovery efforts. Water recovery for the environment has significantly reduced the amount of water available for productive use in Victoria.¹ In northern Victoria, as at 30 June 2015 605 GL or 26% of high-reliability water shares were held by the environment and in southern Victoria more entitlement and share of inflows is also held by the environment.² This water recovery has had a measurable impact on water allocation prices.³

Supply across Victoria has also been impacted by changing climatic conditions. Since 2001 only two water years have achieved 100% of long term average streamflows.⁴ In the same period, as illustrated in the discussion paper, seasonal rainfall patterns have shifted.⁵ This has reduced seasonal allocations for irrigators and reduced the availability of stock & domestic water supplies. Regions such as Western Victoria and South Gippsland that have historically had very secure stock water supplies now face shortages.

Victorian farmers have responded to changing water availability scenarios through adaption and risk mitigation. Farmers have invested privately in water infrastructure and taken advantage of government funding to reticulate irrigation and stock water supply systems in return for water savings to contribute towards Murray-Darling Basin Plan recovery targets and Victorian sustainable diversion limit acquisitions. It is important to note that agriculture primarily invests in efficient water systems to benefit business whereas government has primarily invested in efficient water systems to increase the amount of water available to the environment. This is contrary to the following statement in the discussion paper;

*“Agriculture embraces and invests in water efficient production systems in response to drought and reforms, increasing the amount of water available for the environment”.*⁶

The monetary value of water that drives investment in water infrastructure and facilitates water recovery for the environment must be recognised.

Victorian water markets have developed significantly in the past 20 years, especially in northern Victoria as part of the southern connected basin. The discussion paper recognises a number of these

¹ Aither, (2016), Supply-side driver of water allocation prices, pp 12-13; Tim Cummins & Associates, (2016), Water Market Trends: Trends in Northern Victorian Water Trade 2001-2015, p 25

² Tim Cummins & Associates, (2016), Water Market Trends: Trends in Northern Victorian Water Trade 2001-2015, p 5

³ Aither, (2016), Supply-side driver of water allocation prices, p 28

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⁵ DELWP, (2016), Water for Victoria discussion paper, pp 26-27

⁶ DELWP, (2016), Water for Victoria discussion paper, p 16

developments, including; the commencement of interstate trade in 1998, the ‘unbundling’ of water from land in 2007 and the removal of the 4 percent limit on the volume of water that can be traded out of irrigation districts in northern Victoria.⁷ This has increased the flow of water between Victoria, southern New South Wales and the lower Murray in South Australia. This provides both potential opportunity to Victorian entitlement holders and potential risk to Victorian infrastructure operators and Victorian farmers reliant on the temporary water market.

The demand structure for water has changed significantly in the past two decades, initially following the introduction of Managed Investment Schemes and more recently the increase in permanent horticulture plantings such as almonds and walnuts. These changes have exacerbated competition between industries for water use, increasing allocation prices in dry periods. A growing pool of evidence suggests that the difference between the amount of water required supporting future permanent plantings and the allocation available in a low inflow scenario is decreasing.⁸

*“Accounting for the reallocation of water to the environment, there would still probably be sufficient water to supply all permanent plantings in a repeat of the worst year of the millennium drought. However, the gap between supply available to permanent plantings in such a year and the potential demand by permanent plantings is rapidly closing”.*⁹

*“The expansion of perennial horticulture by LMW [Lower Murray Water] diverters also means that horticulture now accounts for a greater portion of the remaining consumptive pool...as the dairy industry endeavours to return to pre-drought levels of production, a smaller portion of the available consumptive pool is being used by mixed farmers. When NSW allocations are low, mixed farming is therefore less able to play its traditional buffering role in the Victorian water market, and prices rise more rapidly”.*¹⁰

These changing dynamics require long-term planning for different supply and demand scenarios from both government and industry. The VFF has kept this front of mind in outlining our vision for a Victorian water plan and in responding to the discussion paper.

⁷ Ibid, p 15

⁸ Tim Cummins & Associates, (2016), Water Market Trends: Trends in Northern Victorian Water Trade 2001-2015, p 20; Aither on behalf of RIRDC, (2016), Contemporary trends and drivers of irrigation in the southern Murray-Darling Basin, p 56

⁹ Aither on behalf of RIRDC, (2016), Contemporary trends and drivers of irrigation in the southern Murray-Darling Basin, p 56

¹⁰ Tim Cummins & Associates, (2016), Water Market Trends: Trends in Northern Victorian Water Trade 2001-2015, p 20

EXPOSURE DRAFT REQUEST

Farmers want the opportunity to consider a draft water plan

In the introductory statement of the discussion paper the Premier and Minister state that the discussion paper, *'begins the conversation'*. This is a message that was reiterated at consultations across Victoria. Facilitators made clear the purpose was to, *"start the conversation"*, and to, *"test general concepts"*. The VFF agree that the discussion paper is just that, a discussion paper and not a draft plan. That is why the VFF wrote to the Minister on April 20 to request the release of an exposure draft of the Water Plan for comment before publication. A Water Plan to guide government water policy for the coming decade demands a rigorous consultative process.

Recommendation 1

That an exposure draft of the Water Plan be released for comment before publication and adoption as government policy.

WATER FOR AGRICULTURE

Farmers want secure, good quality water resources

The Victorian Government have set an agenda to drive jobs and growth through the Food and Fibre Strategy. The VFF supports this focus and iterate the integral role of the water in facilitating and driving this growth. The VFF have identified a number of proposals that can assist agriculture to adapt to changing water availability scenarios, these are outlined throughout this response.

IRRIGATION

Victorian irrigators require proactive policy to assist the industry adapt to different water availability and use scenarios. Irrigators require surety of supply, however government and water managers are limited in their ability to control supply. What can be reasonably improved is water market and water management transparency, and the effective communication of related information.

The VFF support the proposal under strategic direction 9.2 to promote water market transparency. The price of temporary water in the 2015/16 water year demonstrates the importance of water market intelligence in assisting farmers to plan water use and trade. Improving the information gap between water resource decision makers and water resource users will allow farmers to consider sooner how the price of water impacts their business plan.

Irrigation districts need to be protected to ensure agriculture within these districts, and the infrastructure providers themselves, remain viable. Infrastructure must be affordably maintained and water availability and quality reasonably ensured. The decline in water ownership within the Goulburn-Murray Water (GMW) districts is an example where these concerns must be considered. Ownership of high-reliability water shares in GMW districts has declined from 1,580 GL in 2005 to 992 GL in 2015. In the same period water use in the GMW districts did not follow the same trend. 1,686 GL was used in 2004/05 and 1,450 GL was used in 2014/15. This suggests that GMW

customers are more reliant on the temporary water market in high-demand scenarios, and therefore exposed to greater risk.

Recommendation 2

The VFF supports the measures under strategic direction 9.2 to increase transparency in the water market.

The VFF welcomes the government's commitment to assist the agricultural industry adapt to reduced water availability. Water availability and reliability have been significantly impacted by water recovery for the environment and changes to rainfall patterns and catchment in-flows. Throughout this submission the VFF has made a number of further recommendations that contribute towards assisting the industry adapt to changing water availability scenarios.

The discussion paper proposes investment principles under strategic direction 4.3. Recent government investment in water infrastructure such as the Sunraysia Modernisation Project, the Macalister Irrigation District upgrades and the Loddon South-West Supply project would all deliver on the proposed investment principles of net public benefit, long-term viability and value for money. Government must take a common sense approach to the application of these funding principles to ensure they respect farming practices, the importance of water to the agricultural industry and the industries capacity to pay.

The government also proposes the provision of specialist advice and incentives for whole-of-property-planning under strategic direction 4.3. The VFF encourages the government to consider whether such a program is appropriate considering the availability of advice programs through Catchment Management Authorities.

BASIN PLAN

Farmers want the Victorian Government to protect our water and our irrigation communities

The VFF was active in the formation of the Commonwealth *Water Act 2007* and the Murray-Darling Basin Plan, representing the interests of Victorian water users. The VFF continues to monitor the implementation of the plan and advocate for sensible changes to the plan to protect Victorian agriculture and improve the relationship between agricultural water and environmental water. Ultimately this should see more unused environmental water made available for allocation trade on the water market.

The VFF supports the Victorian Government's undertaking to rigorously apply the criteria of neutral or positive socio-economic effects and to undertake its own socio-economic analysis of the impact of water recovery. The VFF oppose efforts to recover any 'up-water' in contribution to the 450 GL until the impact of the basin plan implementation have been properly assessed in 2024. If government policy does not change and 'up-water' recovery is pursued it is imperative that Victorian Government ensures any further recovery is done with neutral or better socio economic impacts.

As the Victorian Government considers constraint mitigation proposals alongside the Commonwealth and other states, the VFF encourage the government to;

- Recognise the interdependent relationship between constraints projects and supply projects;
- Commit appropriate resources to investigate constraints management proposals;
- Work towards a liability model for environmental flooding that sees the environmental water manager accept responsibility, whether that is the Commonwealth or Victorian government.

ALTERNATIVE WATER SOURCES

Farmers want affordable, good quality alternative water sources made available for use

The VFF encourage the government to take action regarding the potential benefit to Victorian agriculture of greater alternative water use. Opportunity exists for the government to prioritise the advancement of recycled, reclaimed and storm water projects, making available additional or better quality water for peri-urban irrigation districts such as the Eastern Irrigation District, Werribee, Bacchus Marsh, and Yarra Valley. Urban encroachment and degraded surface and groundwater sources are putting pressure on these irrigation districts. These peri-urban irrigation districts are important contributors to the Victoria's economy and food security.

Increased use of recycled water and stormwater by urban users may also reduce urban drawdown on water sources that can alternately be made available for agricultural and environmental use.

The affordability of water for end users must be considered. Agricultural users are restricted in the price they can pay for water resources. Cost benefit analysis of such proposals should be undertaken to consider the significant costs associated with proposals such as storage of urban stormwater.

There are many potential opportunities for agricultural enterprises to benefit from the proposed strategic directions outlined in section 5.1 of the discussion paper. It is encouraging to see that regional and metropolitan water authorities are being actively directed to assess the use of all possible water sources, and factor these potential sources into the development of their urban water strategies.

The VFF supports the proposals under strategic direction 5.1:

- Improving and clarifying regulatory arrangements for recycled water schemes;
- Exploring waste-to-resource opportunities;
- Water corporations will provide information on alternative fit-for-purpose water supplies.

The objective of these proposals should be expanded to support alternative water use in agriculture under strategic directions 4.1 and 4.2. This will assist peri-urban irrigation districts adapt to reduced water availability and water quality, whilst realising local opportunities to make alternative water sources available.

Recommendation 3

That the Water Plan support exploring the use of alternative water sources in key peri-urban irrigation districts.

Strategic direction 5.3 outlines principles for the broader engagement of the community, specifically around water efficiency. The VFF understand that in the interests of improving the quality of recycled water produced at the Western Treatment Plant, Melbourne Water has been working with commercial and industrial businesses in the management of pollutants into the sewerage system. Taking steps towards point source management of industrial pollutants, specifically salt derivatives, assists in providing an improved quality of water for Werribee Irrigation region customers.

STOCK & DOMESTIC WATER***Farmers want long-term planning to guide investment and drive growth and productivity***

The VFF supports the proposal under strategic direction 4.3 to invest in rural water infrastructure that increases access to water for stock & domestic use. The current dry period has put pressure on Victoria's stock & domestic water resources, exhausting previously secure supplies in regions such as western Victoria and south Gippsland. Dry summers and very late autumn breaks have resulted in empty run-off dams, forcing farmers to seek alternate stock water supplies. Western Victorian farmers have increased their reliance on groundwater bores, putting pressure on aquifers, whilst in regions where groundwater is not available or of poor quality, farmers have destocked to some extent or resorted to the capital and labour intensive option of carting stock water.

Every Victorian deserves the right to turn on the kitchen tap and have a supply of clean water. Stock & domestic water supplies not only underpin Victoria's meat and wool industries but also support the health and liveability of rural Victoria. The fact is today that many Victorian farming families do not have a secure good quality domestic water supply. This important facet of stock & domestic water supplies must be considered in the formulation of government policy.

Investment in stock & domestic water infrastructure and planning announced in the 2016/17 Victorian State budget has been welcomed by the VFF. The VFF encourage government to expand these efforts by undertaking comprehensive analysis of Victoria's stock & domestic water supplies and shortages and developing a long term stock & domestic water strategy to respond to the identified shortages and opportunities for productivity growth.

Stock & domestic water shortages reduce the carrying capacity of Victorian farms and force farmers to turn valuable labour units and capital into sourcing and paying for alternate water sources. The *Victorian Food & Fibre Sector Strategy* sets a vision to grow the Victorian food and fibre industry, increasing production where demand exists. Victoria's red meat industry has grown significantly over the past five years. The value of meat exports from Victoria increased 36.4% from 2013 to 2014 to \$2.34 billion. The meat industry supports secondary industries including abattoirs and logistics companies, significant employers in rural and regional Victoria. Water security will be integral in realising the ambitions of the *Victorian Food & Fibre Strategy*.

The provision of secure stock & domestic water supplies provides opportunity to significantly grow Victoria's food and fibre industry. Australian agriculture has a history of strong productivity growth.¹¹ However, this growth has stalled to levels close to zero since 1997.¹² More secure water can increase farms carrying capacity, promote investment in intensive industries and improve farming practices and efficiencies. Improved water quality improves animal health, increasing production in the red meat, dairy, pig and poultry industries. These examples demonstrate the significant opportunity to boost productivity growth in Victorian agriculture through securing and modernising stock & domestic water supplies.

The VFF is currently undertaking a stock & domestic water survey. Preliminary results identify:

- 19% of respondents do not have access to any secure stock water supplies;
- 61% of respondents have some insecure stock water supplies;
- 20-25% of livestock respondents have decreased stock numbers in the past 24 months due to stock water shortages;
- Only 33% of respondents have fully reticulated their stock water systems;
- Benefits of secure a good quality stock water supplies include; labour efficiency, cost savings, water quality, maintaining carrying capacity, stress reduction, peace of mind, property value and firefighting capacity.

These preliminary results identify the problems that exist in Victoria's stock & domestic water supply systems and the potential economic and social benefits of addressing them. Investment in the South-West Loddon Supply Project, the announcement of feasibility funding to explore the extension of the Wimmera-Mallee Pipeline and the Mitiamo Stock & Domestic Pipeline project business case funding are positives steps to realise the potential for growth in the Victorian agricultural industry. The Victorian Government must now undertake comprehensive analysis and formulate a strategic plan to guide future investment and policy that provides certainty and confidence to Victorian farmers.

Recommendation 4

That government formulate a stock & domestic water strategy to guide investment and manage future shortages.

Recommendation 5

That government undertake a comprehensive stocktake of Victoria's stock & domestic water supplies and shortages.

¹¹ Productivity Commission, (2005), Trends in Australian Agriculture, pp 115-138

¹² M, Keogh, A, Tomlinson, M, Henry, (2015), Assessing the competitiveness of Australian Agriculture, Rural Industries Research & Development Corporation, pp 36-37

EMERGENCY WATER SUPPLY POINTS

The VFF supports the proposal under strategic direction 4.3 to clarify responsibility for, and improve information on, Emergency Water Supply Points.

Emergency Water Supply Points are important sources of water for farmers and rural communities in dry conditions and emergency situations, such as fire and Blue-green Algae outbreaks. Significant investment in the network took place throughout the millennium drought. Since this period many parts of the network have been neglected and fallen into disrepair. A lack of clarity in regards to who holds responsibility to maintain the network and to what standard has contributed to this disrepair. Examples exist, such as in the Loddon Shire, where responsibility has been adopted by local government and pricing policy put in place to reflect the cost of maintaining the network. Opportunity exists for the government to establish the framework around use of emergency water and maintenance of the network, to ensure the network is sustained for use whenever required.

Recommendation 6

That the government;

- Clarify the definition of an emergency and who can access emergency water;
- Clarify the pricing policy with consideration of the affordability of current arrangements;
- Clarify the responsibility for management of Emergency Water Supply Points, including the role of local government and water corporations;
- Improve the visibility of information on the availability, location and accessibility of supply points.

ENTITLEMENTS FRAMEWORK

STOCK & DOMESTIC WATER REASONABLE USE LIMIT

Farmers want a common sense approach to stock & domestic water use

Under strategic direction 8.1 the discussion paper proposes accounting for significant water uses, namely stock & domestic water use. Stock & domestic water use in Victoria is accounted for in situations where the water is delivered by a water corporation within irrigation districts such as the Goulburn Murray Water Irrigation Districts and in schemed systems such as the Wimmera Mallee Pipeline. Outside of these systems water users have a statutory right to access stock & domestic water through section 8(1) of the *Water Act 1989*. Access may be via water taken directly from a bore or waterway or by harvesting rainwater flowing across their property.

The VFF opposes any measure to remove the private right to stock & domestic water or unfairly or unreasonably restrict its use. The VFF believe that property owners should be able to harvest water, irrespective of source, for the legitimate purpose of stock and domestic use. The Northern Region Sustainable Water Strategy (SWS) identified a number of difficulties in defining and monitoring 'reasonable use' of stock & domestic water resources, including the cost of metering.¹³

¹³ DEPI, (2009), Background Report 13: Protecting water users and the environment from uncontrolled growth in domestic and stock water use

It is estimated that in Victoria there are 310,000 stock & dams, 80,000 stock & domestic groundwater bores and potentially a further 80,000 stock & domestic direct diverters.¹⁴ A Background Report produced for the Northern Region SWS suggested the lifecycle cost of metering existing users would not be affordable at up to \$3000 per meter. Through the expansion of the Victorian water grid more properties will be serviced by rural water corporations, potentially reducing the number of section 8 statutory rights in use. Conversely, subdivision of farmland in peri-urban areas may increase the number of rights in use.

The VFF opposes the compulsory metering of genuine stock & domestic groundwater bores and stock & domestic dams. In the case of stressed aquifers the VFF would in some circumstances support the metering of bores within the concerned management area for information and monitoring purposes. The VFF also support registration of stock & domestic bores for information purposes and security measures. The VFF see this as a common sense approach.

Although compulsory metering is cost prohibitive and not supported by the VFF, the VFF does acknowledge the potential for abuse of stock & domestic statutory rights. This abuse should be combated through compliance efforts undertaken on a local level by water corporations and, where appropriate, with Victorian Government assistance.

CONVERSION OF TAKE AND USE LICENCES

Farmers are seeking information on the costs and benefits of conversion of section 51 licences in unregulated systems

The VFF support an investigation into the costs and benefits of the conversion of section 51 licences as proposed in strategic direction 8.1. The VFF does not support the conduct of a pilot study until a desktop investigation has been completed and licence holder support is established.

Unbundling in northern Victorian regulated systems occurred in 2007. This process involved the unbundling of water entitlements into “water shares” (the actual right to water), either “delivery entitlements” (delivery in districts) or “extraction shares” (extraction from rivers), and “water-use licences” that controlled the application of water to land. These changes allowed freer trade of water shares across and between system and, because water shares were no longer connected to land, they could be mortgaged and leased.

In Victoria’s unregulated systems the benefits and drawbacks of conversion from section 51 licences to other water products such as water shares will differ between systems, rivers and aquifers. More work needs to be done to determine whether the potential benefits outweigh the potential drawbacks in each system. In any water system, user support must exist for conversion. This principle of user support also applies to the pilot study proposed under strategic direction 8.1.

¹⁴ Ibid

Recommendation 7

The VFF support an *investigation* into the costs and benefits of and licence holder support for the conversion of take and use licences into other products such as water shares.

Recommendation 8

That licence holder support is secured before conversion of section 51 licences in any system.

WATER HARVESTING RULES***Farmers are seeking year round access to high flows in unregulated systems***

Opportunity exists to adjust current Victorian licence provisions in order to assist water users adapt to changing stream flow and water availability scenarios. This proposal supports strategic directions 4.1, 4.2, 8.1 and 9.1.

Currently 'winter-fill' licence conditions placed on take and use licences in unregulated rivers restrict extraction to between July 1 and October 31. The purpose of these conditions is to encourage entitlement holders to extract water during the traditional high flow winter period and store it for use. Changes to rainfall patterns have weakened the rationale behind these conditions and suggest the conditions should be amended to recognise that high-flows occur throughout the water year.

Opportunity to address this issue exists by altering licence conditions to apply mechanisms such as high-flow trigger points to determine when allocation on unregulated rivers may be extracted. Another restriction to water users effectively harvesting water in high flow periods are the restrictive fees and charges involved in constructing off stream storages. Streamlining these processes and reducing red tape will assist farmers adapt to changing water availability scenarios.

Recommendation 9

The VFF supports action by the government to improve current entitlement holder access to harvest water in high flow periods, within allocation.

ADVANCED ALLOCATION***Farmers are seeking the ability to take advanced allocation in unregulated systems***

Irrigators are seeking improved flexibility in accessing water in unregulated irrigation districts, specifically the Broken System. This proposal supports strategic directions 4.1, 4.2, 8.1 and 9.1.

In these systems, small water storages limit the ability for allocations to be provided to farmers early in the season. The opportunities for trade into and out of the Broken system are constrained, despite some improvements to trade opportunities occurring over the past season. The Broken and Ovens River systems can sometimes wait until well into November before an allocation may be made. For example, at 1 December 2015, the Broken system was sitting on an allocation of 17%, while the Murray and Goulburn systems were on 92% and 80% respectively. During spring and

summer there can be high unregulated water flows. To improve water security for agricultural businesses, the ability to take advanced allocation should be made available to irrigators in unregulated irrigation systems.

In practice, advanced allocation would allow entitlement holder's access to these high flows which are in excess of minimum environmental flows (irrespective of the seasonal allocation percentage) as the flow passes their property. The volume that an irrigator takes would be subtracted from their overall entitlement volume. In doing so, this does not provide more water to an irrigator over and above their entitled volume, but rather shifts the period in which they can access their water entitlement.

Clarity is needed within the *Water Act 1989*, to allow advanced allocations to be made in unregulated systems. Amendments to Victorian legislation to allow advanced allocation to occur, was a feature of the 2013-2014 review of legislature, culminating in the *Water Bill 2014*. Sections 238 and 239 of the Bill went some of the way to locking in the potential for advanced allocation to be provided to irrigators. Extracts from the *Water Bill 2014* are included in Appendix 2.

Recommendation 10

Government makes the necessary legislative changes to allow for advanced allocation in unregulated systems.

SUSTAINABLE WATER STRATEGY – MID-TERM REVIEWS

The VFF support and participate in the Sustainable Water Strategy (SWS) process but do not support the proposal under strategic direction 8.2 for the introduction of a mid-term reviews every five years. The VFF believe current arrangements are appropriate given; the period taken to develop the SWS's, the implementation of these strategies should be constantly monitored and the significant cost involved in the SWS process. Extensive consultation is also required in the SWS process and the introduction of another process introduces additional cost and may contribute to reform fatigue amongst stakeholders.

Recommendation 11

That the proposal under strategic direction 8.2 to introduce mid-term reviews of the Sustainable Water Strategies not be accepted by government.

THE GRID AND MARKETS

Farmers want transparent open markets that allow them to plan the best use of their water resources and capital

The VFF recognises the importance of water markets and water infrastructure in sharing water security and maximising water availability. The Victorian water grid is well developed in systems such as the Goulburn-Murray Water system and Melbourne Water system, now connected to Geelong via pipeline. However even these 'well developed' systems have significant limitations. The

Melbourne to Geelong Pipeline is limited to delivering 16 GL per year and the highly developed Melbourne water system is unable to deliver affordable water to the Werribee Irrigation District, to mitigate severe water security and quality issues.

In considering opportunities for agriculture through the development of the grid the government must consider the affordability of water to rural water users.

Note

Water market information and strategic direction 9.2 is addressed under Irrigation on page 8.

INVESTIGATING BROADER WATER TRADE

The VFF support the proposal under strategic direction 9.1 to investigate the potential for broader water trade within unregulated and groundwater systems and between these and regulated systems. Opportunities exist in unregulated systems to improve entitlement holder’s ability to trade within and between systems, where appropriately connected. Making it easier to trade upstream in unregulated systems is one opportunity to allow broader water trade. Water users have considerable knowledge of the water systems they utilise and how broader water trade and reduced red tape in regards to water trade could benefit their business. The VFF encourage the government to consult widely to establish where these opportunities may exist. Consultation is also important to identify water user support for broader water trade.

SOUTHERN MARKET TRIAL

Farmers support broader southern market trade, but not at the expense of rural water security

The VFF supports the proposal for a southern market trial under strategic direction 9.1, on the condition that rural water users and rural water are protected from proliferation by urban water corporations. VFF members in southern Victoria are often frustrated by restrictions, limitations and conditions on trade in both regulated and unregulated southern Victorian systems, impacting their ability to allocate their water resource to its most productive use.

As discussed in regard to alternative water sources, significant opportunities exist to make more, better quality water available for peri-urban irrigation districts through broader water trade and water security sharing in the Melbourne region.

The VFF recommend caution is taken in the introduction of rural water into the southern market trial. Steps must be taken to ensure the security of rural water systems are not impinged by a market trial or expansion of trade between southern Victorian systems. Specifically, mechanisms should be in place to prevent the proliferation of rural water supplies by urban water corporations.

Recommendation 12

The VFF conditionally supports the concept of a southern market trial but seeks further clarification on;

- How rural water corporations and rural water users will be or could be included in the southern market trial;
- How rural water supplies will be protected from proliferation by urban water corporations.

SUGARLOAF PIPELINE SOUTH-NORTH TRANSFER

The VFF strongly opposed the construction of the North-South Pipeline. The construction of a pipeline to connect the Melbourne Water system with the stressed northern Victorian catchment at the height of the millennium drought caused undue stress to northern Victorian communities and placed their livelihoods at risk.

The VFF questions the rationale behind the proposal to reverse the North-South Pipeline given public knowledge suggests it is not possible and water pumped north across the divide would not be affordable for Victorian irrigators.

PROMOTING WATER USE EFFICIENCY

EDUCATION AND WATER LITERACY

As Victoria adapts to changing water availability scenarios it is important that all water users and the wider community are aware and understand potential changes in availability and government policy. Water literacy is an important tool for the government implementing changes and managing community expectations, particularly in regards to the availability of water supplies for urban and recreational use. Whilst the VFF acknowledges the governments focus on securing urban water supplies ‘even during drought’, in the short and medium term this is not a reality, especially in rural and regional towns and cities.

The Victorian education system is an excellent medium through which we can educate our population on the precious value of our water resources. The VFF supports the re-activation of the Target 155 water savings campaign and the Schools Water Efficiency Program.

Building the water literacy capacity of the Victorian population will assist a number of proposals in the discussion paper, as demonstrated in the table below.

Strategic direction supported	Outcome
Strategic direction 3.4	Encouraging community engagement and participation
Strategic direction 5.3	Community engagement in water efficiency through T155 and the School Water Efficiency Program
Strategic direction 6.3	Building capacity for increased Aboriginal participation in water management
Strategic direction 7.2	Building the capacity of recreational water users and managing the expectation of recreational users

Recommendation 13

That the government address how they intend to encourage water literacy amongst the Victorian population.

EFFICIENCY OF NON AGRICULTURAL WATER USERS

The discussion paper fails to adequately promote efficiency in the management of environmental water and urban water use. The environment is now the second largest holder of entitlement in Victoria, the efficient management of this water is important in maximising the benefits of the available water and minimising the need for additional water recovery.

Recommendation 14

That the Water Plan promote and encourage the efficient management of environmental water.

WATER CORPORATION GOVERNANCE AND REGULATION

The VFF encourages the government to address concern in regards to the governance and regulation of urban water corporations and how this impacts the efficiency of Victorian urban water use. Water corporations must balance water use efficiency with the commercial sale of water. In an industry where more water use equals more revenue the VFF would like to see the government ensure water efficiency is promoted by and within water entities, given the competing interests between promoting efficiency and sales.

WATER CORPORATION BOARD REPRESENTATION

The VFF supports the promotion of rural water user representation on the boards of water corporations that provide rural water services. Impact on end users should be considered in board level decision making processes. For board members representing farming communities their water use should support their primary occupation, rather than simply satisfying the criteria of having 'experience in farming'. The VFF notes the membership of the VFF President on the 2015 selection committee for water corporation board appointments, and welcomes future input into these decision making processes. The VFF believes the Water Plan should include a commitment to ensuring rural water user representation on water boards.

Recommendation 15

That the Water Plan promotes rural water user representation on water corporation boards.

URBAN WATER CORPORATION CONSIDERATION OF RURAL USERS

Many urban water corporations such as Barwon Water, Central Highlands Water and Coliban Water also provide rural water services to the agricultural industry. In these water supply systems rural and urban water use often draw on the same resources. Recent dry conditions have highlighted instances where rural water users supply may be negatively impacted by water availability that could have been mitigated by earlier introduction of water restrictions. Resource planning taking into account the potential impact on rural water users such as dairy, chicken meat and egg producers who rely on the resource to water stock, would ensure these occurrences are avoided. Such an initiative would support strategic direction 4.1.

Recommendation 16

That the Water Plan encourages urban water corporations to actively consider impacts upon rural water users in water resource management decisions.

CLIMATE CHANGE

The VFF recognises the impact of the climate on the Victorian water industry and the observation made on pages 26-27 of the discussion paper.¹⁵ The VFF want to ensure that any proposals accepted by the government under strategic directions 2.1-2.3 do not adversely impact upon rural water users service levels or costs.

Recommendation 17

That the Water Plan provides assurances that mitigation or adaption proposals will not adversely impact rural water users.

CULTURAL AND RECREATIONAL WATER – TOWARDS A SHARED BENEFITS MODEL

The VFF supports the promotion of shared benefits in the management of environmental water. Specifically, the VFF supports the proposal under strategic direction 3.2, *“ensuring that the VEWH, working with waterway managers, continues to identify and report on opportunities for shared benefits from environmental watering, which will support Aboriginal values and recreational benefits for local communities”*.

The VFF believes the VEWH it best placed with water assets and skills in strategic water delivery to realise cultural and recreational benefits without reducing the volume of water available for agricultural use.

The VFF supports:

- Consideration of cultural and recreational values and benefits in water resource management as long as there are no third party impacts on existing entitlement holders;
- Capacity building in water management for Traditional Owners can participate in water resource management alongside other stakeholders;
- Research and knowledge gathering about Aboriginal water values and uses;
- The use of existing market mechanisms to acquire indigenous water use from willing sellers for contemporary economic use such as to support indigenous farming interests;
- Efforts to inform recreational users of how the fluctuation of water levels may impact upon their activities;
- Beneficiary pays model for recreational water and recreational facilities.

The VFF does not support:

- Unfettered access across private property to waterways;

¹⁵ DELWP, (2016), Water for Victoria discussion paper, pp 26-27

- Water entitlement holders contributing to the cost of the recreational use of their water entitlement or associated recreational facilities.

Recommendation 18

That a shared benefits model to the management of environmental water is pursued to achieve cultural and recreational outcomes, in the first instance.

WATERWAY AND CATCHMENT HEALTH

Farmers are frontline environmentalists, particularly those who have custodianship of waterway frontages, either owning the land or being provided with access to Crown land frontage under lease arrangements.

The VFF are strong supporters of a voluntary partnership approach for the management of riparian fencing. The best outcomes for the environment and the landholders who adjoin waterways is achieved when there is collaboration, appropriately resourced voluntary programs and the incorporation of local knowledge. Any move towards mandatory enforcement of fencing along waterways is not supported by the VFF.

The VFF look forward to participating in the ongoing implementation of the Regional Riparian Action Plan, as a strategic direction in section 3.1 refers to. Acknowledging that the State government has a priority to accelerate ground works, the VFF further stresses the importance of ensuring that a voluntary approach to riparian management continues to be implemented. It is through the engagement of the adjoining landholder that the best outcomes for riparian longevity can be achieved. The Water Plan must continue to foster that.

Recommendation 19

That a voluntary partnership approach continue to be utilised for the implementation of all riparian management projects, particularly for fencing of waterways and stream management works.

APPENDIX 1 - Extracts from the Water Bill 2014

238 Seasonal determinations where there is additional water available

(1) This section applies if a determining Authority—

(a) has made a determination under section 237; and

(b) is of the opinion that there is additional water available in the relevant water system during the water season in respect of which it has made that determination.

(2) The determining Authority may determine that the additional water is available in the water system—

(a) for each class of water shares issued in that system; and

(b) for each bulk entitlement in the system in respect of which the water available to be taken, in any water season, under the entitlement is not able to be established from the terms of the entitlement.

239 Special allocation determinations

(1) This section applies if an applicable water resource management order specifies that a determining Authority may exercise powers under this section.

(2) A determining Authority may, during a water season, determine, for the whole or a part of the relevant water system, the water that is available in the whole of that system or that part of the system for a part of the season—

(a) for each class of water share issued in that system; and

(b) for each bulk entitlement in the system in respect of which the water available to be taken, in any water season, under the entitlement is not able to be established from the terms of the entitlement.

(3) A determination under subsection (2) must specify—

(a) the relevant water system or the part of the relevant water system to which it applies; and

(b) the part of the season during which the water that is available to be taken may be taken.

APPENDIX 2 – VFF PRIORITY WATER INFRASTRUCTURE PROJECTS

Irrigation projects

\$20 million to complete Stage 1B wards the Macalister Irrigation District 2030 modernisation project.

A longer-term commitment of \$50 million is sought for Stage 2 of MID 2030

The VFF welcomed last November's State Government's commitment of \$20 million to Stage 1B Macalister Irrigation District 2030 modernisation project and will be seeking a similar commitment from the Federal Government, towards the \$60 million cost of Stage 1B (Three way cost split -\$20 million State, \$20 million Federal, \$20 million SRW irrigators). Stage one includes replacing 85kms of old channels with 38km of pressurised pipes and 26km of automated channel, which will save 9,700ML of water for the district's dairy farmers and vegetable growers. Modernising the infrastructure will mean quicker and more efficient delivery of water to farms.

The VFF is also seeking a longer term commitment of \$50 million towards Stage 2 of the Macalister Irrigation District 2030 modernisation project.

The VFF is ultimately looking for long-term funding of \$190m to Stage 2 of the MID 2030 Modernisation, which has been costed at \$190 million. The VFF is seeking a contribution of \$50m from the State Government to this stage. Stage 2 will modernise outlets and channels, replace the Newry River Channel system and Avon floodplain systems with pipeline and create a wetland for nutrient management.

Eastern Irrigation Scheme – growth options

The VFF is calling on the government to fund a feasibility study into options to increase water supply to and extend the Eastern Irrigation Scheme in the Cranbourne-Clyde area on Melbourne's eastern fringe. The Eastern Irrigation Scheme is one of Australia's leading vegetable production areas, home to some of the country's top producers and exporting produce throughout Australia, Asia and the Middle East. The Eastern Irrigation Scheme is also an important contributor to Melbourne's food security and sufficiency. Currently, water availability is constraining growth within the current irrigation footprint of the scheme and the viability of a scheme extension.

A feasibility study should consider all options to increase water availability in the Eastern Irrigation scheme, including, use of waste water and aquifer recharge. A southern extension and eastern extension of the scheme should also be considered to increase the land available for irrigation. The availability of additional water and irrigable land would boost the local economy and provide additional jobs in the peri-urban Cardinia area where unemployment is high.

The predicted cost of a southern scheme extension is \$8 million whilst an eastern extension may cost \$15 - \$18 million. The owner of the scheme, Trility, has expressed a desire to explore options to expand the scheme including through a public-private partnership.

Lindenow Valley Water Security Project

The VFF supports funding for a feasibility study of the Lindenow Valley Water Security Project. The Victorian Government conducted a \$1 million investigation of potential options to improve water reliability on the Mitchell River. This investigation identified the preferred location at Stony Creek for a 17 GL dam providing approximately 10,500ML yield per annum.

This water infrastructure project would improve water security for agricultural, urban, industrial and environmental water users. This improved security will secure 1,000 jobs in the agricultural industry and create up to 150 additional jobs.

\$6 million to pipe recycled water 20kms from Yarra Valley's Lilydale treatment plant to Yarra Valley horticulturalists

The VFF is calling for funding to utilise available waste water from Yarra Valley Water's Lilydale waste water treatment plant for productive use. The construction of a 20km pipeline from the Lilydale treatment plant up the Yarra Valley would increase the available water for use by Yarra Valley horticulturalists.

Construction of the pipeline would initially make available 700ML of water, with opportunity for future increases if connected to other treatment plants. The provision of this Class B recycled water would provide opportunity for the Yarra Valley horticultural industry to grow.

The construction of this pipeline requires a \$6 million investment. This is a value for money project that returns recycled water to productive use, boosts Yarra Valley horticultural production, and delivers downstream benefits to the local economy.

Stock & Domestic Water Projects

The VFF has identified the following key projects to secure farmers' stock & domestic water supplies:

\$18.6 million to build the Mitiamo Stock & Domestic pipeline

Further to the government \$1.2 million commitment to the development of a business case the VFF is seeking State Government support to complete the project to supply water to more than 150 properties across 80,300 hectares. The delivery of a secure water supply to the region would create opportunities for the expansion and intensification of agricultural enterprises across the region, in

particular chicken meat and pig production, which would deliver further job opportunities, on-farm and along the local supply chain.

Fund a feasibility study into the extraction of water from the Dilwyn aquifer

The VFF is calling on government to fund a feasibility study into the extraction of groundwater from the Dilwyn aquifer in Southern Victoria to secure stock & domestic water supplies for the agricultural industry. Persistent dry conditions have exhausted stock & domestic water supplies in many parts of southern and south-west Victoria. Current water sources are currently not deemed secure enough to guarantee supply. Access to the Dilwyn aquifer would provide long-term water security to the regions agricultural industry.

The Dilwyn aquifer lies at a varying depth of between 100m and 1000m below sea level. The cost of drilling an access bore to the aquifer differs on required depth however estimates in the Simpson area, at 300m below sea level, are \$1 million.