

MPII UPDATE

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FROM THE CHAIRMAN

As we cruise into the festive season, MPII's focus is on the Murray Darling Basin Authority and the Federal Minister's push to vary the CAP on diversions which will be called the Sustainable Diversion Limit (SDL). Unfortunately the SDL is the next elephant coming our way and at this point I must note that this terminology is the Government's way of once again justifying the potential of reducing water allocations. The SDL is one of the roll outs of the Water Act 2007. Jennie and I have been involved in several consultation processes over the past few weeks since the MDBA released its issue's paper called the **Development of Sustainable Diversion Limits for the MDB**. It is imperative that we remain active on this debate and participate in all

engagement processes offered. It has been made very clear that the issues paper is the first written document in relation to the SDL from the MDBA. The chair of the authority has mentioned publically that the MDBA is compelled to follow the rules that are set out in the act which states that the environment must have the first take of available water. I'm sure that you will all agree that as citizens we need to look after our environment, but on the contrary, where will the line be drawn in the sand?

Without referring to the Act in too much detail, the environment has top priority whilst social and economic outcomes are clearly down the list. It is essential that MPII is involved with scrutinising which key environmental sites should in fact be restored and have prior-

ity over agriculture and all consumptive users. We have established that there are many other factors that need to be considered, such as the management and timing of the delivery of water to the environmental sites. Two other glaring issues are that due to the dry sequence of years, the Water Sharing Plans have not had the time to mature and the Federal Government has not completed its water buyback program which is supposed to off set each valley's SDL. Please see further information regarding the SDL on page 3.

I wish you and yours a very Merry Christmas and a Happy New Year and trust that this prolonged dry period will come to an end in 2010.

Murray Shaw

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MPII representatives Richard Sleigh and Jennie Hehir along with other customer service committee members were hosted by State Water to a tour of the Burrinjuck and Blowering Dams on the 21 - 22 October. The groups tour coincided with the Back to Burrinjuck 100 year celebrations. L-R: Roger Hoare, Phil Dempsey, Terry Hogan, Jennie Hehir, Ned Hamilton, Sonia Townsend, Nick Maynard, Richard Sleigh, Rel Heckendorf, Trent Gardiner and Glenn Andreazza

FROM THE CEO



It's hard to believe that I have been working with MPIO for over a year now, however a contributing factor to the time flying is dealing with the myriad of water issues that require attention on a weekly basis.

As is continually mentioned we are experiencing an age of historical political "water reform" which is an academics terminology for reducing the pool of water that was once available. If only the seasons would return to near normal, I am sure the focus on the Murray Darling Basin would lessen to some degree. It goes without saying that the issues MPIO are currently dealing with are extremely challenging and we cannot afford to relax our representation at any point. I am loath to consider how decisions from government could be implemented with a lack of

consideration for river pumpers without MPIO's presence. One consoling factor is that MPIO is well respected in the political world and by other representative organisations.

It was great to meet some of our members at the AGM held in Darlington Point on the 28 October 2009. Please see below the election of Office Bearers:

Chairman: *Murray Shaw*

Vice Chair: *David Merrylees*

Treasurer: *Jennie Hehir*

Committee members:

Rel Heckendorf, Glenn Lok, David Merrylees, Richard Sleigh, Murray Shaw, Jennie Hehir, Ian Lugsdin, Nick Maynard and Russell Ford.

Nick Maynard was nominated as vice chairman once again, however Nick declined the nomination. On behalf of MPIO I thank Nick for his dedication to the role and look forward to his continued input on the executive committee.

It is with pleasure that I welcome *David Merrylees* to the position of vice chair and trust that David will enjoy his involvement with MPIO.

In closing I wish you all a Merry Christmas and a Happy New Year, may 2010 be an improvement on 2009!!!

\$300 MILLION ON-FARM IRRIGATION EFFICIENCY PROGRAM (OFIEP)

You will remember receiving information with our last newsletter referring to the OFIEP and an expression of interest form (EOI). MPIO received many EOIs from landholders considering participating in the program. MPIO has signed up to participate in the Murrumbidgee region group consortium which encompasses other representative bodies. The Murrumbidgee Region group consortium has submitted an application to become a delivery partner. Irrigators can only apply for the program via a delivery partner.

Hopefully we will receive notification of the consortiums approval early January. Once this step is reached, a project manager will contact you to arrange a meeting to discuss your EOI. If you did not fill out a form and are interested in the program please contact Jennie.

CAPITAL GAINS TAX RELIEF WIDENED TO ASSIST IRRIGATORS AND OPERATORS

The Assistant Treasurer, Senator Nick Sherry, and the Minister for Climate Change and Water, Senator Penny Wong, announced on the 3 December 2009 that the Government will provide a capital gains tax (CGT) roll-over for water entitlements and water allocations.

The Government previously announced CGT relief for irrigators who transform their entitlement to water under an irrigation right into an individual water entitlement. Now this CGT roll-over will apply more broadly to any capital gains or losses arising directly from the ending of an irrigator's water entitlement and the issuing to the irrigator of a replacement water entitlement. The roll-over will cover a broader range of transactions - including pre-transformation transactions. The roll-over will also be available when water entitlements are unbundled.

2010 IPART WATER DETERMINATION



MPIO have been actively involved in consultation with State Water and have responded to their submission on the 2010 Water Determination. Jennie, Murray and Rel Heckendorf represented MPIO at the Ipart hearing held in Griffith on the 23 November 2009. We were given the opportunity to address and present to Ipart the detail surrounding our submission. State Water and other regional stakeholders participated in the hearing as well.

The NSW Office of Water (NOW) has just released their submission, MPIO will respond to their submission in due course. Please see key points that were raised in MPIO's submission on page 3.

MPPI SUBMISSION TO IPART

State Water's Financial Position:

Despite the drought, it is apparent that State Water has still managed to make a profit each year over the last determination period showing a positive return on assets. On the contrary State Water customers have been forced to mind their assets through this terrible time delaying capital works etc. In reality, State Water (SW) is nothing more than a government department set up as a State owned corporation so that taxes on irrigators can be disguised as a dividends to shareholders. The SW submission just reflects government policy, there is no indication as to future cost savings which could easily be used to cover any shortfall in revenue due to the drought. The reduction in charges to Murrumbidgee users is just smoke and mirrors with expenditure being transferred to resource management costs.

State Water's Capital Expenditure:

MPPI struggles to understand State Water's justification for further capital expenditure during the dry period, when customer and private enterprise practice is to defer major spending until the outlook improves.

WACC:

MPPI cannot justify State Water's reasoning for increasing the rate of the WACC, particularly when figures show that the organisation has managed to come through the worst drought on record with a small profit on operations. This evidence would suggest that there is a case for leaving the WACC where it is or lowering it on the expectation that things will improve.

Length of the 2010 Determination Period:

MPPI believes that to be able to compare each of the pricing periods in an open and transparent manner that a four year period for the next determination is the appropriate length of time.

Consumption Forecasts:

MPPI submits that if State Water were to change their forecasting from the IQQM method it would be detrimental to water users who have no way of being able to protect themselves from the same dry conditions. Nearly all organisations dealing with water and projections use IQQM. SW is trying to second guess the future with a model that in fact has no basis.

YACTAC Compulsory Levy:

MPPI supports the continuation of compulsory levy collection from YACTAC landholders to continue Natural Resource Management. The continuation of the levy is essential to co fund funding that is being provided by government agencies and to allow for works that require follow up funding to be completed.

NSW Office of Water:

MPPI is of the view that it is unreasonable that NOW have been given an extension for their submission when it would appear that they have had ample time and resources to meet the deadline. As a result IPART should discount their submission accordingly.

Summary:

MPPI request that IPART strongly consider the flow on financial impact that the State Water proposed price increases will have on water users who do not have the ability to buffer increases. It appears that State Water could minimise their projected increase in expenditure until the seasons turn around. This action would align SW with the strategic plans practiced by all other commercial enterprises.

HIGH COURT CHALLENGE AGAINST VICTORIA LAUNCHED BY S.A.

Premier Rann advised last week that the SA Govt has issued proceedings in the High Court to force the Vic Govt to lift its 4% cap water trade barrier along the Murray River system. The proceedings assert that the cap is an unconstitutional imposition on trade and is therefore invalid. "The High Court Challenge forms part of the SA Govt's campaign to return healthy flows to the River Murray and help save the Murray Lower Lakes and Coorong."

The VFF has responded with a media release claiming that "Victoria's water system is the most responsibly managed system in Australia... The VFF has remained committed to the 4% water trading cap. The cap is essential to preventing large scale social and economic dislocation of rural communities. The reduced allocations of recent years have already had a significant economic impact. Allowing unfettered trade at this time would result in unintended and irreversible consequences for the sustainability of rural Victoria. The SA Government should withdraw their case."

SUSTAINABLE DIVERSION LIMIT Sharing reductions in water:

Governments have agreed that the risk of any future reductions in the availability of water will be shared according to a framework set out in the National Water Initiative (2004), as amended by the Intergovernmental Agreement on Murray–Darling Basin Reform (2008).

Broadly, these agreements mean that the risk of any reduction in size or reliability of a water allocation will be borne as follows:

- By the water entitlement holders, if the reduction is the result of seasonal or long-term changes in climate, or of periodic natural events such as bushfires and drought
- By a government, if the reduction is the result of changes in that government's policy
- By entitlement holders and governments (according to a specific formula), if the reductions results from improvements in knowledge about the environmentally sustainable level of take of water.



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Don't forget to check out our website
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If you want to be put onto our email service please forward your address to
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We do not sell or provide email addresses to third parties.

Murrumbidgee Water Allocation at time of publication

General Security 15%

High Security 95%

Carryover 100%

WHEN AND HOW THE BASIN PLAN WILL BE DEVELOPED

The Murray–Darling Basin Authority (MDBA) is working to a timetable that will produce a proposed Basin Plan by mid-2010, and the first Basin Plan in 2011.

During the plan's development, MDBA will engage with non-government stakeholders, including the people, communities and industries of the Basin, mainly through a Basin Community Committee and its specialist subcommittees, such as an irrigation subcommittee, environment subcommittee and Indigenous subcommittee. MDBA will also work closely with all Basin states and their agencies, the Basin Officials Committee, and key conservation, Indigenous and industry bodies. As a high priority, MDBA will work in consultation with the Basin Community Committee to work out the best ways of engaging with stakeholders.

During the first phase ('Getting started'), MDBA will be working with key agencies to start drawing together the environmental, social, cultural and economic information required to describe the Basin's water resources and how they are

used (including how they are used by all communities). This description is a mandatory part of the plan. It is also important in shaping the monitoring and evaluation strategy.

The 'Getting started' phase also includes the preparation of the concept statement to provide information on the key elements, timetable and overall approach to development of the Basin Plan. A fact sheet will be produced detailing the opportunities for stakeholders to find out about the Basin Plan and to provide input or comment.

The second phase of development ('Understanding and Preparation') will begin in mid-2009. During this phase, MDBA will draw together all the information on water resources and the environment that is required to make the key decisions mandated under the Water Act 2007 about the environmentally sustainable level of water take. Extensive scientific and evidence-based input will be sought and scenario modelling will be undertaken.

MDBA is committed to producing a range of informative materials to

promote understanding of, and input to, the Basin Plan. A series of fact sheets, position papers and issues papers will be released for government, for environmental, industry and Indigenous groups, and for other interested people.

The third phase of the Basin Plan's development ('Consultation and Refinement') will include the release of the proposed Basin Plan in mid-2010 for formal consultation as required by the Water Act. The proposed Basin Plan will be published on the MDBA website, together with a 'plain English' summary. The consultation processes will provide stakeholders and Basin residents with a genuine and substantial opportunity to provide input to the plan. MDBA will publish a summary of submissions received and explain any alterations to the plan made as a result of those submissions.

At the end of this third phase, the plan will be sent to the Commonwealth Minister for consideration and adoption.

You can source further information by going to:

www.mdba.gov.au/basin-plan