

Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

28-2-2019

ec.sen@aph.gov.au

Dear Committee,

Re: ***Inquiry into the Water Amendment (Purchase Limit Repeal) Bill 2019***

Cotton Australia is the peak body representing the 1,200 Australian cotton growers, who collectively add approximately \$2 billion (Farmgate) each to year to Australia's export earnings.

Cotton Australia is an active member of National Farmers Federation (NFF), National Irrigators Council (NIC), and New South Wales Irrigators Council (NSWIC). It endorses the submissions made by these organisations.

General Comments on the Bill

Cotton Australia is genuinely disappointed that this Bill represents the first serious breach in bipartisanship with regards to the Murray-Darling Basin Plan in some time. It was Cotton Australia's sincere hope that after many years of sometimes acrimonious negotiation, the focus could now shift to fully implementing the plan in a manner that optimised the outcomes for the environment.

The passing last year of the Sustainable Diversion Limit Adjustment Mechanism amendments, the Northern Basin Review amendments, and the agreement by the relevant Ministers on the 450GI "450GI Upwater", all signaled a commitment to finalising the task of delivering the Plan.

Cotton Australia considers this Bill a breach of that co-operative approach, and a clear signal that Labor have moved away from its recognition of efficiency programs as the preferred way of acquiring environmental water.

Given that the "1500GI Cap" on acquisition is far from being breached (current acquisitions under the Cap are at approximately 220GI), and only approximately 30GIs is still to be acquired to meet recovery requirements, there is absolutely no urgency to amend the Cap.

Cotton Australia does acknowledge that if the Sustainable Adjustment Mechanism projects do not deliver the full 605GI then additional recovery may be required, but not till 2024

Therefore Cotton Australia is strongly of the view that this Bill, and the debate it will generate' is not about whether there is the capacity to recover water under the Cap, there clearly is, but a debate about whether environmental water should be purchased, rather than acquired through various on-farm or off-farm efficiency measures.

Cotton Australia's position is:

-) The preferred approach of government should be to do all that is reasonably possible to acquire water through efficiency or other measures that do not require the outright purchase of water entitlements.

Cotton Australia also recognises the absolute right of entitlement holders to enter into agreements to sell their water, however, that does not mean that Governments should seek to enter the direct water purchase market as their preferred route.

Despite the view of the South Australian Royal Commission into the Murray-Darling Basin, there is ample evidence of the damage direct water purchase does to communities, when compared to acquisition through on-farm efficiency programmes.

Cotton Australia directs this inquiry to the socio-economic analysis carried out by the Murray-Darling Basin Authority as part of the Northern Basin Review.

The Authority cannot be faulted in its approach to the social and economic work. Its lead researcher immersed himself in communities right across the Northern Basin. While impacts might be hard to identify at a macro level, where large Basin communities like Toowoomba, Tamworth and Dubbo mask the impacts, they are relatively easy to see in a raft of smaller, irrigation dependent communities be they St George, Dirranbandi, Wee Waa, Warren, Moree and a host of others.

It is absolutely telling that the only community that this research found had not suffered employment losses due to the Basin Plan was Goondiwindi, where almost all the water recovery has been achieved through on-farm irrigation efficiency programmes such as Healthy Headwaters and Sustaining the Basin.

Cotton Australia recognises that many in the Goondiwindi community would strongly, and rightly argue, that their town has also felt impacts, and that is to be expected whenever a community loses access to extractive water. However, the MDBA work definitively shows the impact is greater when the reductions occur through direct buy-backs.

Cotton Australia acknowledges, that in the short-term efficiency programmes are more expensive, it does cost more per megalitre recovered, but that difference is being invested directly back into communities in the form of the goods and services required to carry out the efficiency work; and the sharing of the water savings mean that the long-term productive and earning capacity of the community is maintained, or at the very least not reduced to the degree that occurs under buy-backs.

Cotton Australia would like to address the notion that on-farm efficiency programmes represent an unwarranted subsidy to irrigators.

While Cotton Australia absolutely supports the on-farm programmes, it needs to be recognised that in general most irrigators have not seen them as particularly attractive, especially across the north basin.

Proponents have had to promote their programmes hard to get take-up. Irrigators have often assessed the programmes, and the multiple over market price, as inadequate. Many have taken the view that the payments on offer do not adequately compensate for swapping an appreciating asset such as a water licence, for a depreciating assets such as a lateral move irrigator.

This has particularly become evident as the Commonwealth tries to attract interest in the latest on-farm programme in Qld and SA, where the mandated 1.75 multiple has attracted much criticism and very little interest.



Advancing Australian Cotton

Finally, Cotton Australia must address concerns around the fraudulent abuse of irrigation efficiency programmes. To Cotton Australia's knowledge, out of all the individual programmes funded either directly by the Commonwealth, or through State Agencies, there has only been one allegation of significant fraud. This matter is currently in the Queensland Court system where it is rightfully being dealt with by the process of the law. Should the charged parties be found guilty, they will be rightly punished, but the programme should not suffer.

Cotton Australia would welcome any questions on this submission, and is willing to make itself available to appear as a witness. Inquiries should be directed to Michael Murray, General Manager, Cotton Australia – michaelm@cotton.org.au - 0427 707868.

Yours sincerely,

Michael Murray,
General Manager

COTTON AUSTRALIA LIMITED ABN 24 054 122 879

HEAD OFFICE SUITE 4.01, 247 COWARD ST, MASCOT NSW 2020 AUSTRALIA P + 61 2 9669 5222 F +61 2 9669 5511

BRISBANE LEVEL 3, 183 QUAY ST, BRISBANE QLD 4000

TOOWOOMBA UNIT 3, 6 RUTLEDGE ST, TOOWOOMBA QLD 4350

NARRABRI LEVEL 2, 2 LLOYD ST, NARRABRI NSW 2390

WWW.COTTONAUSTRALIA.COM.AU