

**IMPACTS OF THE WATER AMENDMENT (RESTORING OUR RIVERS) ACT
2023 ON NSW REGIONAL COMMUNITIES**

Organisation: National Parks Association of NSW

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The Chair
Investment, Industry and Regional Development Committee
Parliament House
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SYDNEY NSW 2000.

sent by email to:
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Dear Chair

IMPACTS OF THE WATER AMENDMENT (RESTORING OUR RIVERS) ACT 2023 ON NSW REGIONAL COMMUNITIES.

The National Parks Association of NSW (NPA) appreciates the opportunity to comment on the inquiry into the Impacts of the *Water Amendment (Restoring Our Rivers) Act 2023* on NSW regional communities.

NPA's mission is to protect nature through community action. Our strengths include State-wide reach, deep local knowledge, evidence-based input to policy and planning processes, and over 65 years' commitment to advancing the NSW protected area network and its professional management. We also provide outstanding opportunities for experiencing and learning about nature through our unrivalled program of bushwalking, field surveys, bush regeneration and other outdoor activities.

Background

The NSW NPA understand the terms of reference for the inquiry are:

- a) the social, economic and environmental impact of repealing limits to the cap on Commonwealth water purchases
- b) the risks to the effective implementation of the Federal Water Amendment (Restoring Our Rivers) Act 2023 including unlicensed take of water and options to address these risks such as rules for floodplain harvesting
- c) the impact of Planned Environmental Water rules on the reliability of water allocations in NSW and the Commonwealth's environmental water holdings
- d) the impact of rules-based changes on the reliability of water allocations in NSW, including their impact on different water license categories
- e) the effectiveness and impacts of past water reforms, including community-based water reduction adjustment programs such as the Strengthening Basin Communities program and Murray-Darling Basin Economic Development Program
- f) options to improve future community-based reduction adjustment programs including next rounds of the Sustainable Communities Program
- g) any other related matter.



General comments

The NSW NPA has not specifically structured its response in the same order as the terms of reference but wishes to provide the following comments.

There is a good rationale behind the need to recover more water: As agriculture, industries and communities have grown over time, water use has increased. Lower river flows can cause major environmental problems such as salinity, algae outbreaks, loss of native animals (due to destruction of breeding spots and food resources), and loss of vegetation (which has further impacts on water quality and native species). Such water quality is critical to human health and local economies.

This rationale includes it being of indirect benefit to producers and the goods they produce in the future. There is increasing need for producers to show their sustainability credentials. The Farm Institute's recent insights journal identified the growing prevalence of sustainability measures – and the differing approaches taken by different countries. Note that the majority of agricultural production in the Basin is an export. The increasing focus on sustainability by other countries has the potential to impact sustainable outcomes for agriculture in regional NSW, by creating potential barriers to agricultural trade and unintended consequences for productivity, markets and the environment. The issue of achieving sustainability in agrifood systems has become increasingly urgent, yet policymakers and key stakeholders have yet to agree on ways to achieve this goal. However, the Farming Institute suggest it is likely to consider a range of off-farm considerations ranging from the resources required to create the 'good' to the supply chain needs to distribute it to the [overseas] consumer.

Reduced water volumes available can have cascading effects: The recovery of water entitlements has reduced the total amount of water available for irrigated agriculture. While those that have voluntarily sold their water entitlements or participated in programs to improve water use efficiency on their farms are compensated, water recovery also has consequences (both positive and negative) for other irrigators and regional communities. This includes impacts on the market price of water and economic impacts for other businesses as a result of changes in irrigated agriculture as a result of water recovery.

Assessing the impact of water purchasing is difficult Assessing the implications of water recovery is complex, particularly as these changes have occurred at the same time as a shift in climate has increased the number of dry years and reduced rainfall and water availability in the MDB (Goesch et al. 2020). Changes in market conditions have also resulted in increased demand for water from some emerging industries, particularly tree crops such as almonds. In addition, structural change has been occurring in regional Australia for decades, driven by deep social and economic factors such as individual preferences to live in major cities or major regional centres with wider services. Changes in agricultural production methods have also been a significant influence.

Attributing higher prices in the water market solely to water recovery is incorrect. In the short-term water market prices are mainly driven by the supply of water allocations, which is largely a function of the volume of water in storage (Goesch et al. 2020). While the price of water entitlements has increased significantly in recent years. Key drivers include drought and drier conditions, and increased water demand for relatively water-intensive crops such as almonds and cotton, and water recovery.

We also have to acknowledge any government supportive or restrictive measure can hold productivity back, often at taxpayer expense. Farmers depend on stable prices and reliable access to inputs such as fuel, fertiliser, and labour for the continued economic viability of food and fibre production. When unexpected global issues interfere with supply chains and drive inflationary reactions, costs (and risks) in agricultural input markets skyrocket.

ABARES does research on the factors that influence farm productivity and has found water buyback to not be a key factor. Productivity is a key measure of economic performance that captures the efficiency of production – how much output is produced from the inputs used. It rises and falls over time in response to factors that change the amount of outputs produced or inputs used. Chancellor and Boulton (ABARES 2024) show that the repeal to the limit has not been a key factor. Crop farm productivity was volatile between 2000 and 2022, however it grew at an average annual rate of

1.4%. If we remove the 'climate effect' at that time and observe productivity over long-run average climate conditions, the average annual climate adjusted growth rate is 2.2%: close to the long-term average. Removing the year-to-year variation in actual climate conditions means that key underlying factors influencing productivity are: technology adoption, management practices, structural change, and R&D investment. The report also looked at the factors influencing slowdowns in productivity and they were a combination of climate change, changes in natural conditions, rising input costs, fluctuating output prices, fewer transformative technological developments, and limits to the reform opportunities that might improve the functioning of agricultural markets.

Indeed, the report encourages water trading more generally as a policy tool. It recommends that governments encourage policies aimed at facilitating the transfer or transformation of unviable or low performance farm businesses. Low performance farms may have opportunities to improve by changing their production systems. Productivity thrives in free and open markets, where structural change is unobstructed and market failures are corrected. This suggests the current change in the farming community due to water trading, may be difficult but an important part of making rural communities more economically resilient in the longer term.

Similarly academic research show that it is complex to try to unpack the impact of water buy backs alone. The social and economic wellbeing of Basin communities have multiple drivers other than a reducing of water volumes through buybacks (Wittwer 2020, Schirmer & Mylek 2020, Wheeler et al. 2020). This research aligns with other findings [mentioned earlier] that shows it is other factors that are more important, but in this case the findings include remoteness, population size, economic diversity, and high dependence on agriculture of any type.

Interestingly as a 'policy tool' the research also shows purchases from willing sellers have been shown repeatedly to be the fairest, most efficient and effective way to recover water, compared to expensive infrastructure upgrades and on-farm savings. Voluntary and fully compensated buybacks are much less costly than infrastructure upgrades to obtain a target volume of environmental water (Grafton & Wheeler 2018, Wheeler et al. 2018). Public spending on health, education, and other services from the 'leftovers' in the financial 'bucket' because it is more efficient could create 3-4 times as jobs in rural communities than spending on infrastructure upgrades- which provides private individual benefit (Wittwer & Dixon 2013, Wittwer 2020). It is important to appreciate the restoring our rivers reform included over \$300 million to support local communities diversify and be more resilient. It is the NPA's understanding that almost half of this has been allocated to the NSW Government.

Sefton, R (2023), National farmer survey highlights a range of factors are actually reducing farm productivity government role in securing industry's future Workforce shortages were found to be putting the brakes on on-farm productivity, with 87.2 per cent of respondents expressing an appetite to increase their labour force if hiring conditions were improved. Addressing these worker shortages was identified as a key priority area, with farmers also calling on the Federal Government to increase investment in rural infrastructure, domestic food and fibre processing, and R&D, and do more to reduce red tape, level the playing field, and protect arable farmland.

Governments can do a lot to assist the transition to more sustainable level of take to help keep our rural communities healthy and resilient to change. There is a need for better coordination centred around the creating healthy communities, including:

- One area where governments continue to remain active in agricultural markets relates to drought support. These mechanisms are focused in areas which build resilience and self-preparedness (Parties to the National Drought Agreement 2022, Department of Agriculture 2019). Why aren't the Southern Drought support hubs aligning their infrastructure grants and projects to the Basin plan's overall objective of being able to have thriving communities able to rely on less water?
- Similarly, the work and initiatives created by Regional Development Australia could work in partnership and align with the overall vision of the Basin. These are at a federal level, however state programs such as the 'Carbon Farming Fundamentals' or the work of the NSW Biodiversity Conservation Trust could be bought to align with a range of Basin projects so that

synergies can be created. There would be payments to primary producers for providing a range of wider community (and environmental) benefits. Thus a change in riparian land use might not be seen as due to 'compensation' but provide an opportunity for a steady stream of income.

- Advancing the 'constraints' projects within NSW could also provide the opportunity to create a diversity of local job and business opportunities while investing in the long-term health or agriculture infrastructure.
- The market impediments to water trading should be reduced as much as possible so that any reduction in water available is counter-acted by the market also facilitating water going to the most productive and profitable produce. (Acknowledging at diversity is an important influence on resilience within communities and that regions should not be 'hollowed out'- as mentioned earlier: *'economic diversity, and high dependence on agriculture of any type'* being a factor in rural community health.).
- It is critical that unlicensed take is brought under control before predicted significant reductions in water availability due to climate change become reality. The NSW Government's initiative to create more effective water measurement and monitoring should be congratulated, but it is the NSW NPA's view is that permitting floodplain harvesting is an unfair advantage to farmers in the North and provides a clear and present danger to the health of many riparian/floodplain communities. Water sharing plans for sub-catchments must include a requirement for end-of-system flows to the next downstream community.. In recent years there have been very serious consequences of over-extraction from MDB rivers, with massive fish kills, blue-green algal blooms and salinisation of floodplains (Dula et al. 2024) and we should be preventing any re-occurrence.
- Looking ahead, it is predicted that there will be less water available due to changed climate patterns. Recent research from the University of Canberra suggests a significant decline in snowfall with the cascading effect of a significant reduction in runoff in the Southern Basin. If the rivers of the Basin continue to decline, then accurate and timely measurement of water take will be critical. Penalties for non-compliance will also be important. **This also makes rules and licence conditions, a critical administrative framework in ensuring local compliance so that the wider community have fair and just access to a limited resource.**

Conclusion

What is needed urgently is much more economic and social support for communities adjusting to a future with less water. Given we cannot see any significant financial windfall in the near future to State or Federal coffers, the best way to do this is through focusing existing individual projects and other social support initiatives so that they align with the long-term health of both Basin communities and a healthy river system. This makes sense given the range of evidence showing it is not just the buying of water that is impacting the wellbeing of rural communities.

This will also mean:

- acknowledging that many of the inland rivers are over-allocated and most cost-effective means of water recovery is to purchase it off willing sellers;
- Such recovery must be done because ultimately everyone who lives rural communities relies on having water that is of a certain quality; and finally that:
- any money saved by using such an efficient tool be used to diversify rural economies and make them more resilient to a range of factors that are influencing their wellbeing.

A social adjustment package that better aligns existing wider government programs and brings to bear the additional funds leftover from water purchases provides a long-term solution to address the range of factors that is reducing the health and wellbeing our rural communities.

NPA can be contacted through Chief Executive Officer Gary Dunnett at [REDACTED] or on [REDACTED].

Yours sincerely

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protecting nature through community action