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29 November 2019

Director
Murray-Darling Basin Inquiry
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601

Re: Murray-Darling Basin water markets inquiry

Submitted via: Submission Portal <https://consultation.accc.gov.au/agriculture/murray-darling-basin-inquiry-issues-paper/consultation/subpage.2019-10-15.3276925484/>

Dear Sir/Madam

Please find attached a copy of the Berrigan Shire Council's response to the Issues Paper seeking comment on the issues affecting markets for tradeable water rights in the Murray-Darling Basin. This response sets out the Council's recommendations for change in the governance and operations of the tradeable water rights market in addition to providing background information on the Council's role and its concern about the speculative, inefficient and anti-competitive nature of inter-valley transfers evident in the current arrangements governing the operation of the Water Trading Market.

Should you require further information about this submission, please contact the writer Joanne Ruffin, Strategic and Social Planning Coordinator, Berrigan Shire Council by phone 03 58885100 or by email joanner@berriganshire.nsw.gov.au.

Yours faithfully

Jo Ruffin
Strategic and Social Planning
COORDINATOR

*Heart of the
Southern Riverina*

Submission ACCC inquiry into water markets in the Murray-Darling Basin

Response to Issues Paper 17 October 2019

Recommendations:

That the tradeable water market governance regime

- Requires that water market participants demonstrate that they can use the water.
- Grandfather's income generation through water trading by registered pre-Murray Darling Basin Plan irrigators: retired irrigators.
- Subject to grandfathered income generation provisions prevents speculation by water market participants.
- Requires that the broker and or purchaser bear transmission cost of trades between regions also the costs of third party impacts associated with the timing of trades and its delivery.
- Identifies and benchmarks the public value (economic, social and environmental) of irrigated agricultural production within each region on the Murray River.
 - a) the benchmarks of public value (high-value water use) for each region inform the market settings that cap or place limits on who can trade and for what purpose
- Benchmarks the optimal operating capacity of the network (storage and delivery) and the costs of transmission of water (environment, high security and general security) are socialised based on these benchmarks.
- Mitigates for all water market participants, the negative externalities of water market-related volatility when any region within the system is drought declared.
- Mitigate market volatility, speculation and exploitative practices associated with weather-related events and shocks experienced by irrigated water transmission network: environmental watering, floods etc.: shocks that influence water availability for all users.

Introduction

The Berrigan Shire Council welcomes the opportunity provided by the *Australian Competition and Consumer Commissions Inquiry* into water markets in the Murray-Darling Basin. Located upstream from the Barmah Choke the Berrigan Shire (forecast 2019 pop. 8,809) on the New South Wales and the Victorian border is three hours or 270 km north of Melbourne and 8 hours (670 km) south-west of Sydney. With irrigated lands (approximately 80% of LGA) serviced by Murray Irrigation Ltd and West Corrugan Irrigation.

Established in 1906 the population of the Shire fluctuated in response to economic and environmental conditions. The expansion of irrigated agriculture in the region during the mid-20th century led to the development of mature country towns offering local residents,

businesses and irrigators a range of services and facilities. The following table provides comparative information on the gross regional product of the LGA. Gross regional product generated by irrigated agriculture and the region's visitor economy.

Gross Regional Product (GRP)

Year (ending June 30)	Berrigan Shire		New South Wales		Berrigan Shire as a % of New South Wales
	\$m	% change	\$m	% change	
2,018	453		559,452		0.09
2,016	435		534,876		0.09
2,011	389		467,194		0.09
2,006	456		421,601		0.12

Source: Australian Bureau of Statistics. [Australian National Accounts: National Income, Expenditure and Product](#), catalogue number 5206.0, and the [National Institute of Economic and Industry Research \(NIEIR\)](#) ©2018. Compiled and presented in economy.id by [.id](#), the population experts.

In recent years, agriculture industry restructure and the implementation of the Murray Darling Basin Plan has accelerated the economic and social decline of the Shire's developmentally mature towns of Berrigan and Finley. With the recent Murray Darling Basin Community Social Economic Profiling – Southern Basin communities reporting a 4-point decile drop in the SEIFA index for these communities in the past decade: double the social and economic decline of the Shire's neighbouring community: Deniliquin.

SEIFA – Berrigan and Finley

Town	Disadvantage	Advantage / Disadvantage	Wealth	Education
Berrigan 2001	5	4	4	3
Berrigan 2016	3	3	2	2
Decline	2↓	1↓	2↓	1↓
Finley 2001	7	7	7	7
Finley 2016	3	3	3	5
Decline	4↓	4↓	4↓	2↓
Deniliquin (Town) 2001	7	7	7	7
Deniliquin (Town) 2016	5	5	4	5
Decline	2↓	2↓	3↓	2↓

(Source: Murray Darling Basin Authority 2018: Community Profile Berrigan – Finley)

The Berrigan Shire Council is also Local Water Utility and as such holds a number of water licenses –

Berrigan Shire Council Water Entitlement Portfolio

Town	Supply	Licence Number	Allocation
Barooga	NSW Water	WAL 6472	910 ML
Berrigan	Murray Irrigation Ltd	533	1597 ML – 1326 Effective
Finley	Murray Irrigation Ltd	534	1997 ML – 1658 Effective
Tocumwal	NSW Water	WAL 6471	1470 ML
Other General Security			
Barooga Sewer	Murray Irrigation Ltd	400	6 ML
Barooga	NSW Water		
Finley Showgrounds	Murray Irrigation Ltd	1503	69 ML

Town supplies tradeable for temporary trade with General Security allocations that can be sold. The management of the Council's water entitlement portfolio is informed by the:

- NSW Murray and Lower Darling Water Resource Plan (Surface Water) currently being developed
- NSW Water Directorate (2016) Water Entitlement Management Guidelines
- Council's Water Trading Policy (2018); and the
- Berrigan Water and Sewer Demand Management Plan (2018)

The legislative framework governing the management of the Council's water entitlement licenses regulates the management of the Council's Local Water Utility Access Licences, which are the highest priority licence type. Local Water Utility Licences are not tradable, and allocations cannot be carried over for use in future years (Water Directorate, 2016).

The strategies used by Council to actively manage its water entitlement portfolio include:

- Assessment of customer and community expectations re: level of water security via the Council's Water and Sewer Demand Management Plan, Asset Management Plans and the Berrigan Water and Sewer Customer Service Plan (Section 7) IWMS.
- Monitoring and reconciliation of Water Supply and Use through use of metering and quarterly reconciliation of water volumes supplied and used.
- Trade of eligible water entitlements in accordance with the Council's Water Trading Policy and Section 71M of the *Water Management Act 2000* (NSW).

The recommendations reflects therefore, the Council's experience of water trading markets as Local Water Utility License holder. Also Council's experience, as an advocate for its local community. The primary reason for this submission. The key concerns of which are the speculative, inefficient and anti-competitive nature of inter-valley transfers evident in the current arrangements governing the operation of the Water Trading Market.

Speculation, market inefficiencies and anti-competitive practices that limit the diversity (hence sustainability) and productive value of the region's grain, meat, fodder, fibre agri-businesses. Inefficiencies and anti-competitive practices that contribute during drought conditions to negative economic, social and environmental externalities experienced by third parties: our towns and agribusiness operators and suppliers.