

United Dairy Farmers of Victoria District Council 3

Submission to

Food Bowl Modernisation Steering Committee

"Foodbowl Modernisation Project Draft Report for Public Comment".

United Dairy Farmers of Victoria – District Council 3:

The United Dairy Farmers of Victoria District Council 3 is made up of UDV branches from Benalla, Cobram, Katandra/Invergorden, Katunga, Nathalia and Strathmerton.

We source our water from the Murray, Goulburn and Broken systems and therefore have provided comment on concerns relating to these systems.

We are all volunteers within the District Council and work to further the issues of our local dairy farming community.

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The United Dairy Farmers of Victoria, District Council (DC) 3 is pleased for the opportunity to provide a submission on the Foodbowl Modernisation Project Draft Report. Our concerns and comments are outlined below:

1. CONNECTING TO THE SUPPLY BACKBONE:

1.1 SERVICE LEVELS EQUALS WINNERS & LOSERS:

The DC understands the benefits of providing a different level of service to some customers; however, this does have the potential of creating a situation where we have winners and losers. This is particularly so for those medium to large water users that are not located on the main trunks and carriers. The DC believes that dairy farmers not on the main backbone will be disadvantaged into the future.

The report needs to provide a far greater explanation on how assistance will be provided for the average dairy farmer to connect to the main backbone.

1.2 CO- OPERATIVE CONNECTIONS:

The DC does not support co-operative connections and does not believe they will be successful. Instances in a co-operative arrangement where a neighbour steals water, blocks channels or takes water without notice are impossible to resolve in a co-operative arrangement.

Farmers must be able to individually connect to the G-MW system at no disadvantage. The farm location should not cause a devaluation of their asset as a result of this project.

1.3 ALLOCATION OF LOSSES:

The report states that:

"the supply point and metering will occur at the off take point from the backbone, so that losses in the smaller channels can be accounted for and passed on to the end users (after a reasonable transition)" (Pg. 21).

The DC does not support farmers having to take on these losses as a result of their location to the backbone. It is not acceptable for farmers furthest away from the backbone having to factor in what have traditionally been G-MW losses of seepage and evaporation into their water orders.

This transfer of losses from G-MW to farmers will potentially de-value farms furthest away from the backbone. There needs to be considerable capital compensation in these circumstances or more appropriately some of the savings allocated to the farm to cover these losses on top of the increased entitlement allocated to irrigators.

2. UNCERTAINTY & ACCELERATED EXITS:

a. G-MW Losses:

The DC is concerned that given the environmental conditions over the last 10 years, farmers resilience has depleted and proposed cost increases by shifting G-MW losses onto farmers could well see them choose to exit at an accelerated rate.

b. Stage Two:

Farmers are very anxious about the whole modernisation program being achieved when \$1.2 billion is not yet allocated. This uncertainty around Stage 2 has many fearful that they will be forced into stage 2 via tariffs, policy and water licenses at their own expense. The uncertainty around Stage 2 may well also contribute to accelerated exits.

3. LOW ENERGY & LOW HEAD PUMPS:

The Vision of the report sets out to establish a:

"modern, efficient, real time, low energy, automated irrigation system". (Pg 1)

Unfortunately the desire for a low energy system is contradicted by farmers having to bear increased costs for *"on-farm low head pumps"* (Pg 40) in order to achieve sufficient head across their farms.

The competitive advantage of the GMID is its ability to operate as a gravity fed system, moves towards low head pumps only shifts costs onto farmers and decreases our competitive advantage.

If water costs were to increase the competitive advantage of dairy in this region as opposed to other dairying regions in Victoria and Australia would diminish.

4. COMPENSATION:

The report provides no reference to the current reconfiguration arrangements that are now part of the *Water Act, 1989*, Part 7A Section 161 in which it states:

"compensation will be payable by an authority for reducing services under a reconfiguration plan".

The report notes that some pods may not be able to be connected into the supply system as outlined in *Figure 0-1, Schematic of Future Supply System*, Pg 16.

The report does not address how those unable to connect to the backbone will be handled and how compensation issues will be addressed under reconfiguration legislation.

5. INCREASED WATER CHARGES:

The DC notes that the report states in its vision that *"modernization must result in an overall real reduction in operating costs"*.

It is very difficult for farmers to accept this on face value. The report needs to provide a more detailed explanation of the costing and future operating expenses. Farmers are unable to accurately assess whether the modernisation program will benefit their business if they cannot factor in what their future costs of water will be.

The DC strongly believes that channel automation must not result in increased costs to customers. As the end target the dairy industry must remain profitable to ensure its viability and water efficiency both on-farm and delivery system must increase profitability rather than decrease.

6. ONE OUTLET PER FARM:

The report states that:

"the concept of one outlet per business is a target". (Pg 12)

If farmers are to be restricted to one outlet with other outlets being removed, then the one remaining outlet must be at the highest command level.

Funding must be made available as part of this reconfiguration to modernise on-farm infrastructure to compensate this removal of other outlets.

7. IRRIGATOR'S SHARE OF SAVINGS:

The DC strongly supports the recommendation that Irrigators:

"share of savings will be distributed to irrigators within the GMID....savings will be allocated as high reliability share at the completion of Stage 1". (Pg VI)

However, for ease of distributing water shares back to irrigators they should be distributed back in minimum lots of 0.5ML per irrigator. Customers with smaller allocations need to be considered in another way.

8. IMPACTS ON BACKTRADE:

Any water savings made on the Murray system that make up Melbourne's entitlement will have to be back traded into the Goulburn system. This leaves Goulburn farmers at a disadvantage as there will be less opportunity to back trade water.

The report fails to address this issue

9. INTERCONNECTIVITY:

The DC does not support a pipe connecting the Goulburn system to Melbourne urban water authorities.

10. STATE OWNED ENTITY:

The report does not identify any incentives for the State owned entity to deliver the project under budget. Additionally, the report needs to provide a greater explanation on the competitive tendering process and how Stage 2 will be managed by the entity. The DC would also like to see clear KPI's that the entity will be measured on.

11. COST OVER-RUNS:

The report does not consider the potential for cost over runs. Farmers see this has occurred with the Wimmera Mallee pipeline and it is unacceptable for farmers to have to take on these cost blow outs. The Governance arrangements must provide a greater explanation of how cost over runs will be handled.

12. DRAINAGE DIVERTERS:

The DC supports the reports suggestion to review tariffs for drainage diverters *"as there is expected to be much less drainage water in future"* (Pg 40). The DC believes that if there is to be less drainage water then they should only pay for the water they receive.

13. ENVIRONMENTAL WATER:

The DC strongly supports Environmental Recommendation 13, which states that:

"The appropriate share of headwork charges be applied to this Environmental Entitlement and delivery charges applied where appropriate".

It is very important the environment pay its way.

Further, the DC believe further detail is required regarding Environmental Recommendation 9 which states:

"water savings are total volumes saved less volumes required for ongoing environmental management, e.g. North Lake- Woorinen"

14. MELBOURNE'S ENTITLEMENT:

The report states that:

"Melbourne Water will be able to sell into the temporary water market unused water from their annual entitlement".

The DC request that this unused water be sold back into the GMID.

15. HEIGHT OF CHANNEL BANKS:

The report needs to provide greater consideration to increasing the height of channel banks via channel lining and lasering to remove the number of regulators on the delivery system.

16. WATER SAVING DEFINITION:

The report states that:

"From the irrigators point of view this money is for something they never previously had access to (water lost in delivery)". (Pg 15).

The DC believes this comment should be removed from the report, water lost to metering and outfalls is water currently in productive agricultural use.

17. G-MW EFFICIENCY:

The DC is concerned about G-MW's ability to achieve greater efficiencies. It is currently considered by farmers as overstaffed and inefficient and not fitting a culture willing to adopt greater efficiencies as outlined in the modernisation program.

18. SHEPPARTON PROJECT:

The report does not clarify whether the Shepparton Modernisation project is also part of the Foodbowl Modernisation. The report states that Key Carrier Channels to be automated include *"East Goulburn Main plus No. 12 to Nathalia"*. (Pg 17). From this statement it would seem that Shepparton is part of the modernisation?

19. VISION FOR THE DAIRY INDUSTRY:

The report suggests that dairy farming systems will use *"higher productivity species such as lucerne and maize"* (Pg 31). The DC questions whether the industry will move towards lucerne and maize.

20. DAIRY: KEY TO A MODERNISED SYSTEM:

Given dairy is the largest water user in the region the horticultural industry's viability is dependent on a thriving dairy industry. The DC does not believe the report has articulated the importance of the dairy industry across Northern Victoria but rather has tended to paint a bias towards horticulture.