

(June 2019)

RESPONSE TO DELIVERY SHARE REVIEW

from Barry Croke
406 Larissa Road,
Naringaningalook, Vic. 3636

My perspective on the issue of Delivery Share

My wife and I have been customers of SR&WSC, RWC and GMW since 1970 when we commenced dairyfarming at Naringaningalook. In 1989 after 23 years in agricultural education (Mildura, Dookie, Univ.of Melb.) I took up fulltime dairying expanding it to a 600 cow operation. In 2008, for several reasons, we stopped dairying and used the 600 ha for cropping, cattle, maize, lucerne and hay production. About 1200 MI is used annually on the three contiguous farms with water from MV3 and MV 7/3 channels.

My academic background includes an Agric.Science degree, a Masters that examined energy use in N.Vic.irrigated farms, a post graduate Diploma of Education and undertook the post graduate Diploma of Agric.Extension.

I have also served on numerous industry committees; Dairy Research & Development Corp. for 8 years, Murray Dairy for 8 years, and have been a member of and chaired each of the following; Naringaningalook Irrigators Inc., Murray Valley Water Services Committee, Murray Valley Modernisation Committee, Northern Victorian Irrigators and Irrigators Aust.Ltd. (forerunner of National Irrigators Council).

The following comments are shaped by these experiences.

Delivery Share (DS) origin

The 2007 lead up to unbundling included deliberations on DS. The important points covered in these discussions were

- revenue needed to maintain GMW delivery system
- need to encourage sustained demand along irrigation channels
- need to reflect inherent responsibilities of water right in maintaining the irrigation scheme
- need to have a DS unit that would be realistically traded
- need to reflect the value of water right in future arrangements
- DS would be a valuable attribute of the property
- DS would be reviewed and, if necessary, modified before 2017
- Ds would accord some measure of priority to supply

The concept of one DS being equivalent to 100 MI of water right for 'right of access' to GMW channels was accepted. Additionally it was agreed that a DS would entitle the DS owner to 150 MI being delivered to reflect the traditional availability of sales water. Although our annual allocation had been 200% in twenty of the twenty-five years to 2000, it was acknowledged such allocations may be less in future.

At consultation meetings in Melbourne and on local committees we believed 1 DS corresponded to 150 MI being delivered by GMW. It was reinforced on numerous meetings, e.g. with Gavin Hanlon (GMW CEO) and when doing early connections planning.

The issue of DS went “off the radar” because after my prepared paper and discussion with Minister Holding he then took steps to remove payment by irrigators of fixed charges in 07/08 and 08/09 seasons. In fact irrigators in the majority of instances wondered what DS was when they had to pay this associated fixed charge in 09/10. Not only was their consciousness awakened to the reality of DS but also the unforeseen consequences and implications of DS became apparent.

Disappointments with Delivery Share

1. DS became 270 MI. A totally new definition of delivery entitlement unrelated to the original water right/sales derivation. Further the concept of rate is a total nonsense as no irrigator would ever seek 1 MI/d over a 270 d season. In fact this nonsense rate could not be delivered by GMW simultaneously to all irrigators on a channel. Moreover our irrigated production systems could not sustain plant growth with this rate of supply.

2. Irrigators with new developments received a very significant windfall. Locally as connections were made NVIRP took away DS and even paid \$55,000 per DS on some land, especially where drought ravaged and income deficient dairyfarms shut down. Typically this land was amalgamated into broad scale cropping operations which were opportunistic irrigators. In the years these types of farm do irrigate they typically run 20 MI/outlet for many days. This practise leads to exclusion of orders for frequent low flows e.g. 6 MI/d for a centre pivot that can have serious crop/pasture consequences.

In fact there are now numerous inequities. Perhaps fixed costs per hectare is the greatest problem. The 7.1 DS on a 125 ha section of our farm represents a DS charge of about \$170/ha, whereas a neighbouring block, which was once a dairyfarm, now has 1.5 DS over a similar area (since connections) i.e. about \$36/ha. These two blocks once used about the same annual water volumes when both were dairying. Now the farm with 1.5 DS does use more than the 7.1 DS block in some years. How can anyone maintain the story that DS is an equitable charge for use of a delivery system?

3. DS did not reflect the irrigation demand that emerged in subsequent years. Irrigator age, commodity prices, water trade opportunities were some of the interacting factors that drove the situation.

4. DS trade was possibly the greatest concern. There would have been a demand at 150 MI/DS. Instead DS became a liability.

5. DS is not a valuable attribute of a property. An irrigator wishing to own more DS can find hundreds of other irrigators prepared to pay that rare irrigator many thousands of dollars per DS in an effort to divest now surplus DS.

The seriousness of this problem is apparent on many properties. Our home block with 7.1 DS on 125 ha is unsaleable. Payment of about \$213,000 could terminate the DS. Another \$250,000 could restore the 125 ha to a paddock free of lanes, channels, drains and fences (which Commonwealth Farm Water recently contributed \$300,00 to assist install this infrastructure).

Therefore after spending \$213,000 plus \$250,000 equals \$463,000, this paddock could be purchased by a local cropper for about \$375,000 (\$3000/ha). Occasionally one hears of people walking off the farms. In our example we have to pay to walk off.

6. DS was to be reviewed within 10 years of its introduction in 2007. Disregard for this intention is now obvious and irresponsible action seems further exacerbated by strong suggestions nothing will happen until 2019 at the earliest. Meanwhile people who have been strung along for years see no end in sight and they are running out of time. In our case our daughters could have to find \$88,000 to be rid of our farm should we not be around.

7. Clearly DS, when held in excess of 1 DS per 270 MI used is a liability to a property.

8. The vague notion the DS/ha would give an order of priority to accessing delivery of irrigation water was never realised. Resolving problems of channel congestion mainly occurs on "first ordered, first served" basis. When Broken Creek needs environmental flow added from Channel MV 7/3 at Katamatite to overcome low oxygen in the creek, daily needs for our centre pivot have been put on hold for up to 6 days AND these environmental flows pay no DS.

The above 8 points show some instances of how far the DS approach has deviated from what was originally envisaged.

Feedback from the DS Review Paper

This was an instrument seemingly designed to aggravate respondents. There were questions where only one response (of alternatives) would be accepted when in fact often more than one response needed to be acknowledged. Further opportunity to qualify views was limited to a few words. Some questions implied a perception very different to irrigators about system capabilities.

Final Comment on DS

The first fact proclaimed at the Shepparton meeting was that DS is an attribute of the land. Maybe. But other views prevail. I have been involved in many disputes (as part of our local irrigator group) where NVIRP and connections people believe DS is associated with a supply point. In fact at a Farm Water meeting last month I posed the question to GMW engineers in attendance. They reiterated the primacy of the DS-outlet relationship acknowledging that the outlet may or may not service land originally given DS.

We have been embroiled in a consequence of this understanding of DS. We proceeded with the sale of an adjoining 200 ha block on the initial understanding it being "dried off" would achieve the then desired "reduced irrigation footprint" and that we would be paid \$55,000 per DS for DS on that land. Subsequently NVIRP/GMW went back on their word and put this DS on our other land saying it was because the DS was associated with the outlet across the road, which also serviced the sold block and that as a consequence, our other land would have to carry that DS.

This response has taken a few hours to produce and it would be appreciated if some response could be made to the above points.

30th August 2018