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PART I RECOMMENDATIONS
I. CHAIRMAN’S STATEMENT

Since the 1970s, the world’s climate has been undergoing significant change. The Indian Ocean Climate Initiative has established that Western Australia’s southern rainfall has declined progressively. Furthermore, it is likely that this trend will continue.

The State Water Strategy encapsulates a fully integrated response to declining water availability and outlines a series of initiatives designed to ensure that we continue to have adequate water supplies well into the future. A key recommendation of the State Water Strategy was that a review of irrigated agriculture be undertaken. This report provides the findings and recommendations of the review.

Irrigated agriculture accounts for approximately 40 per cent of the State’s water consumption and contributes approximately $900 million per annum to the State economy. This review sought to establish how government, in partnership with other stakeholders, should collaborate to conserve water without having an adverse impact on the industry’s significant contribution to the State economy.

As part of its review, the Steering Committee spoke to numerous irrigators, investors, bankers, consultants, environmentalists, government agencies and the like. Fifty submissions were also received from a broad spectrum of interested parties. The messages were clear: like domestic consumers, irrigators and other stakeholders are acutely aware of the need to use water efficiently. However, the main constraints to more investment in water savings by irrigators are the low value of water, and lack of security to their water entitlements. Though most irrigators do not intentionally waste water, there is little real incentive to save it.

Repeatedly irrigators called for more flexible licences, for longer licence tenure, for regulations designed to encourage and simplify water trading and for consumption to be metered. Stakeholders also felt the need for better definition of the State’s water resources, for more high-level strategic thinking and for better management by the water resource manager.

In framing its recommendations, the Steering Committee chose a deregulated market-based approach to water management in preference to greater regulation and tighter control. This was done with the objective of capitalising on what appears to be a current environment very receptive to change. Within this context, key elements of the Steering Committee’s findings include the need for a greater focus on strategic planning, a better understanding of the water resource, more clearly defined water entitlements and the establishment of an effective water market.

Finally, the Steering Committee was conscious of the need for a balanced set of recommendations. Obviously, not every recommendation will be seen as appropriate by every individual or stakeholder group; however, when implemented as a package, the recommendations will achieve much needed reform and an equitable result for irrigators, the environment, the government, domestic consumers and other interested groups.

Ross Kelly
Chairman, State Water Strategy Irrigation Review
2. HIGHLIGHTS

Water allocation and management are among the most challenging issues facing West Australians today. Moreover, the situation could become even more challenging given the trends of lower rainfall on the one hand, and increasing demand for water on the other. While domestic water restrictions have occupied the focus of most people's attention, the reality is that 40 per cent of the State's water is used by the irrigated agriculture sector, where users are not encouraged to use water efficiently by the current system of water resource management and regulation. (Not all of this water is potable or close enough to Perth to supplement the water supply to Perth.)

Irrigated agriculture contributes $800-900 million per annum to the State's economy with the main contributors being fruit and vegetables, wine and table grapes, dairy and sugar. Horticulture and viticulture are expanding rapidly in response to export demand. Accordingly, growth in demand for irrigation water will be closely linked to these product groups, and also to the possible future expansion of cotton and sugar production in the Kimberley region.

The main irrigation supply schemes in Western Australia are the South West Irrigation Area (Harvey Water), the Ord Irrigation Area and the Carnarvon Irrigation Area. These schemes in combination use around 64 per cent of the State's irrigation water. The efficiency of water use and the value of products produced per unit of water vary widely between schemes. In addition, the Harvey Water scheme offers opportunities for improving water efficiency through piping its distribution systems, and also, due to its proximity to Perth, for trading water to the government for use by the Water Corporation for domestic consumption.

KEY DIRECTIONS IDENTIFIED DURING THE IRRIGATION REVIEW AND RECOMMENDED BY THE STEERING COMMITTEE ARE AS FOLLOWS

1. Create a new Ministry for Water Resources and a Department of Water Resources
   The Steering Committee is pleased that its first recommendation has been partially implemented by the State Government's recent decision to appoint a Minister for Water Resources with responsibilities for water resource management, water policy, strategy and planning, and water utilities. The Steering Committee also recognises the fact that the Premier is the new Minister for Water Resources, and sees this as an indication of the importance being placed on the need for water reform.

2. Devise a Strategic Plan for Water
   Although there is a State Water Strategy, at present Western Australia has no long-term overall strategic plan for water resource management. The Steering Committee sees the creation of increased capability to carry out strategic water planning as an urgent priority. A State Water Plan would evaluate the likely demands and management options for each sector of water use across the State and provide a holistic and integrated plan.

3. Change water entitlement system
   Water entitlements should be issued as a share of the resource available for use, and be granted in perpetuity. Entitlements to access water should be separated from the approval to use water on specific land. All new water allocations should be issued at market rates. Where allocations are reduced, compensation should be payable provided such reductions do not result directly from climate change. The policies of linking allocations to a particular use and 'use it or lose it' should be abandoned. The new water entitlement system should be similar to a Torrens Title system that gives title owners and licence holders the ability to register their interests.
4. **Integrate land and water planning**

Areas suitable for future irrigated agriculture need to be identified through more strategic and integrated land and water resource planning. In particular, horticultural precincts are required at Gnangara and Myalup. These will provide long-term certainty, benefit farmers and the State, provide a basis for investment in water recycling and separate agricultural from residential areas. Current planning policies support the identification and establishment of horticultural precincts; however, existing planning practices do not reflect these policies.

5. **Increase self-management**

Opportunities and mechanisms for extending the self-management of water resources in areas of high density irrigated agriculture should be investigated. The creation of irrigation cooperatives appears to have greatly improved the prospects for efficient water resource management as well as benefiting irrigators in each of the four irrigation areas.

6. **Invest in water use efficiency**

There should be immediate investment in piping the South West Irrigation Area to reduce water distribution losses and make water available to the Integrated Water Supply Scheme. Government should also examine and, where appropriate, invest in opportunities to reduce distribution losses in other irrigated agriculture systems.

7. **Implement metering**

All irrigation water usage above five megalitres per year (or such amounts as determined by the regulator from time to time) should be metered. Information about each individual’s usage, together with usage patterns in the irrigation area should be made available online. The near absence of compulsory metering is a serious shortcoming in the State’s water resource management processes.

8. **Facilitate water trading**

The current water trading policy should be withdrawn. A new package of initiatives should be established to include perpetual licences, separation of water allocations from land use, the separation of the ‘right to take’ from the ‘right to use’, the implementation of water trading systems, and the preparation of water resource management plans.

9. **Introduce water resource management charges**

The Steering Committee supports the introduction of water resource management charges that recover the share of management costs attributable to water users. The public should fund that proportion of water resource costs associated with public benefits including environmental protection. The basis of charging must be transparent and the money raised should be used for agreed purposes. The first step should be to recover costs associated with licensing and compliance.

**CONCLUSION**

Management of water resources has not kept pace with the demands for water. In particular, there is an urgent need for an appropriately regulated framework to promote water-efficient and sustainable irrigation industries, and a market-based approach to water allocation which maximises the value created as a consequence of using water.

The reforms proposed by the Steering Committee need to be implemented as an integrated package. Significant strengthening of the management and regulatory regime across most functional areas is needed for this package to work. This is likely to require considerably more funding and significant improvements to water resource management practices.