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## Commission highlights there are costs of water reform

The Productivity Commission has highlighted the costs of returning water to the environment without balancing the economic and social needs of rural communities and the national economy in a report released today.

The National Irrigators' Council welcomed the Commission's final report *Market Mechanisms for Recovering Water in the Murray Darling Basin*, saying it was an important reminder that taking water from irrigators to give to the environment comes at a cost.

"The Commission's report recognises that there is an opportunity cost in increasing environmental watering and this is not recognised by the *Water Act* nor, we fear, the forthcoming Basin Plan," said NIC CEO Danny O'Brien.

"Irrigators support returning the MDB to a more sustainable level of extraction but we are gravely concerned that the Basin Plan will over-correct in favour of the environment, to the great detriment of rural communities and food production in this nation.

"It is very welcome to hear the country's premier independent economic policy adviser clearly telling the government that it has to get the balance right, and agreeing with us that the *Water Act* does not sufficiently balance the social, economic and environmental outcomes and may need amendment."

Mr O'Brien also welcomed the Commission's clarification that public investment in irrigation infrastructure was not just about recovering water for the environment and that it also has significant regional development benefits for irrigation-dependent communities.

"We don't agree with the Commission that infrastructure investment should be wound back. We have always said that investment in more efficient irrigation infrastructure is a win-win delivering water for the environment and a legacy of more efficiency irrigation systems that enables food and fibre production to continue in regional communities.

"We are not averse to the Commission's recommendation that infrastructure projects should be subjected to a public benefit test, provided all the benefits of such investments, including the flow-on benefits of maintained or increased primary production, are included."

The NIC also supported the Commission's findings that:

- The government should consider a portfolio approach to buying back water for the environment, not just restrict itself to buying water entitlements outright;
- Uncertainty over risk assignment must be addressed urgently so that irrigators are aware of the risks they face and potential for compensation; and
- Purchase of water could be more efficient if the government simply entered the market, where it is well developed, rather than conducting tenders.

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