

ADDITIONAL INVITED RESPONSES TO THE INQUIRY INTO THE WATER AMENDMENT (RESTORING OUR RIVERS) BILL 2023

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We were invited by the Committee Chair, Senator Grogan, to provide two responses after our live testimony was cut short on 31st October due to timing issues. The two follow-up comments are provided below:

1. The Benefits and Costs of Water Recovery (in response to the closing comment of Senator Grogan)

Water recovery, as a public policy, will have both benefits and costs. There is evidence to suggest that water recovery to date in the Basin, as a whole, has generated net social benefits to Australia (see for example, [Wheeler 2014](#)). We highlight that we have never argued that there will be no costs to rural communities. Instead, we have argued is that many of these costs (such as reductions in irrigation output and related community expenditure) have often been overestimated (and driven by low quality consulting studies that fail to understand correlation versus causality issues), while the benefits to society in general have often been underestimated. The benefits are much more difficult to estimate than the costs, as well as being spread out over many differing stakeholders, which is one reason they are often ignored.

Given that there can be socioeconomic costs to communities from water reform, which goes alongside other transitional changes (such as technology change, economic prices, population changes, declining social services, climate change, etc), **we emphasise the need for both proper assessment – and application - of structural adjustment and regional diversification funds**. Such measures we proposed back in 2010 by the [Wentworth Group \(2010\)](#), pp. 22-25) in the strategy of ‘Reasonable return and community development’. We also emphasise the fact that high quality economic modelling has found that for every job created from irrigation infrastructure upgrades, the money spent on key social services could have created between three and four jobs in the Basin ([Wittwer and Young, 2020](#)). Money needs to be targeted to where it can have the most beneficial return for communities.

We agree that more empirical research is needed to estimate the actual benefits and costs of water recovery are across rural communities – and such modelling will not be possible until DCCEEW release information of various program water recovery by: ML obtained; \$ spent; yearly time recovered; and postcode area. We have been asking for this data from DCCEEW for over one year, but to date, budget and resource constraints has meant the data series was not readily available in the correct format for release. We hope it will be released soon.

2. Previous MDBA Modelling of Water Recovery (in response to the closing question by Senator Davey)

Senator Davey made comments regarding MDBA’s modelling of water recovery. There was not enough time to respond regarding this. Basically, most of this MDBA socioeconomic modelling work was done for the 2018 water amendment bill by outside consultants (namely KPMG – after the work was transferred from Deloitte after they did not finish the work). This work includes MDBA (2016); KPMG (2016) and KPMG (2018). In the review by [Wheeler et al. \(2023\)](#), all these studies were rated as ‘low quality’, and it also must be noted that the data used in these consultancies is not available to replicate or check any of the results. Please see [Wheeler, Connor, Grafton, Crase and Quiggin, \(2018\)](#) for a full peer review on the problems of MDBA (2016) and KPMG (2016).

This links back to our submission to this Inquiry (Submission 13) for a **standard needed for economic consulting work** in this space. Any attribution of impact must be based on scientifically recognised best practice for evidence or ‘best available science’ to support policy and better decision-making.

References

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