

CHAPTER 2

Issues

2.1 The majority of amendments contained in the bill are supported by relevant industry organisations, and several stakeholder groups indicated that they did not have any concerns with the bill. However, some submitters did recommend various modifications to enhance the bill, particularly emphasising the need for further transparency and public consultation.

Annual annuity contributions

2.2 Submitters welcomed the concept of annual annuity contributions, but did suggest that measures to ensure transparency should be provided for in the bill. Stakeholders would be more comfortable if the assessments and any other documents which formed the basis for calculating annuity contributions were available to the public. Likewise, stakeholders would take confidence if River Murray Water was required to report regularly and comprehensively on its performance, against specific business management benchmarks.¹

2.3 The NSW Irrigators' Council also proposed a regular review of annuity contribution levels and any consequent reserve levels to ensure any accumulation of reserve funds would remain minimal.²

2.4 The Ricegrowers' Association of Australia Inc. (RGA) queried how the annuity concept might affect the Ministerial Council's agreement of May 2006 to maintain jurisdiction contributions at 2006–07 levels for the following four years. The RGA was particularly concerned that if the annuity is set lower than the current contribution levels, or is decreased below these levels over time, contracting governments will be required to continue paying at the current level, thereby providing additional funds to the Commission. There is further concern that in some states this cost may be borne by irrigators, as Commission costs are handled differently by various states.³

2.5 The RGA also voiced their concern that the annuity initiative may be front-end loaded due to the difficulties in predicting long-term expenditure.⁴

1 Coleambally Irrigation Cooperative Limited, *Submission 1*, pp 1–2; NSW Irrigators' Council, *Submission 4*, pp 3–6; Ricegrowers' Association of Australia Inc. (RGA), *Submission 3*, pp 3–4.

2 *Submission 4*, p. 2.

3 *Submission 3*, pp 1–3.

4 *Submission 3*, p. 1.

Recovery of water business costs

2.6 The provision allowing the Ministerial Council to recover water business costs from contracting governments raised various concerns about the consequences of such a measure, particularly the potential impact this may have on irrigators in different states. Submitters advised that cost recovery should be consistent across all jurisdictions, and that the cost implications of these amendments for each jurisdiction should be made available so that the impact on stakeholders in different states is clear. This was an issue of particular importance as the majority of submitters noted that River Murray Water costs are handled very differently between states.⁵

2.7 Concerns were also raised about the process by which the Ministerial Council will determine cost proportions for each contracting government, and submitters recommended that the fee-for-service pricing concept be strengthened and clarified in the bill.⁶

2.8 Submitters supported a five-yearly review of the cost proportions, but believe that reviews should be conducted independently and should allow for public consultation.⁷

Responsibility for River Murray Water structures

2.9 The provision granting the Ministerial Council the authority to reallocate responsibility for the construction, operation, maintenance and works relating to River Murray Water structures was supported by submitters. However, they believe the bill should foster competition and should ensure the market testing of these services, thereby reducing the costs of construction and maintenance and encouraging efficient service delivery.⁸

Committee comments

2.10 The committee considers that concerns raised during this inquiry regarding the need for transparency and accountability in relation to annuity contributions and cost recovery should be given further consideration. The committee notes that the Commission is required to report annually to the Ministerial Council and that this report is publicly available.⁹ The committee considers that it would enhance existing reporting arrangements if the following information were incorporated into that annual report:

5 Coleambally Irrigation Cooperative Limited, *Submission 1*, p. 1; NSW Irrigators' Council, *Submission 4*, p. 2.

6 *Submission 1*, p. 2; RGA, *Submission 3*, p. 2.

7 *Submission 1*, p. 1; *Submission 4*, pp 4 and 6.

8 *Submission 4*, p. 3; *Submission 3*, p. 2.

9 *Murray-Darling Basin Act 1993*, schedule 1, clause 84.

- the basis for calculating annuity contributions and cost recovery proportions;
- any reviews of these contributions and proportions; and
- a more comprehensive report on River Murray Water's financial management and business operations.

2.11 The committee also considers that any reviews which take place should be conducted independently and incorporate public consultation processes.

2.12 Notwithstanding these comments, the committee notes that the Prime Minister's announcement on 25 January 2007 regarding national water management will impact on the operation of this bill. Therefore, the committee recommends that this bill not be proceeded with.

Recommendation

2.13 The committee recommends that the Murray-Darling Basin Amendment Bill 2006 not be proceeded with.

Senator the Hon. Bill Heffernan
Chair

