



## Our Australian Rice Industry

Growing Rice to Feed the World



18 January, 2007

Ms J Radcliffe  
The Secretary  
Rural & Regional Affairs & Transport Committee  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Ms Radcliffe

### **Murray-Darling Basin Amendment Bill 2006**

The Ricegrowers' Association of Australia Inc (RGA) welcomes the opportunity to provide a submission to the Senate Standing Committee on Rural and Regional Affairs and Transport inquiry into the above Bill.

Each area of the proposed amendments is discussed below.

#### **1. The introduction of an annuity contribution for MDBC's future capital and maintenance costs**

The RGA welcomes the introduction of an annuity contribution that will smooth the contributions of partner Governments for capital expenditure and major periodic maintenance. At present, the contributing Governments pay for these costs on an annual basis and this inevitably results in contributions that fluctuate widely from year to year.

The annuity is proposed to be based on a 30 year timeframe. It is the experience in NSW, through the Independent Pricing and Regulatory Tribunal's (IPART) review of State Water Corporation (and its predecessors), that such an annuity is usually front end loaded (i.e. in the initial five years) as the ability to predict expenditures over longer timeframes becomes problematic.

In addition, the ability for the delivery on forecast capital expenditures is very dependent on the ability for the contracting Governments to undertake the forecast activities. In such situations, the quantum and timing of capital expenditure and major periodic maintenance becomes important.

Therefore, RGA would recommend the introduction of some rigor in the development of the MDBC annuity.

A further side issue that should be discussed is the agreement by the Ministerial Council to maintain contributions at 2006/07 levels for the next four years<sup>1</sup>. RGA would question how this should be resolved in the light of the introduction of an annuity.

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<sup>1</sup>. 2006 MDB Ministerial Council Communiqué, Meeting 40, 19 May 2006

Normally, an annuity would be reviewed periodically and alter the contribution of the partner Governments. If the annuity increases, this can be accommodated in the Ministerial Council policy by an increase in partner Government contributions. However, if the annuity decreases during this timeframe, then the contributions of the partner Governments do not fall below the current levels (due to the Ministerial Council's May 2006 decision). This will provide additional funds to the MDBC at the cost of the partner Governments, and in some States, irrigators (see discussion later in submission).

**2. The accumulation and investment of annuity contributions and the ability to borrow funds**

The RGA supports the ability of the MDBC to accumulate and invest annuity contributions and the ability to borrow funds (with the approval of the Ministerial Council).

**3. The recovery of water business costs in shares comparable to fee-for-service pricing and the review of these shares every five years**

RGA tentatively supports the notion of the recovery of water business costs on a fee-for-service basis reviewed on a five-yearly basis with the aim of eliminating cross-subsidies. However, before full support is provided, RGA would require further information.

The explanatory notes refer to "in shares comparable to those which would apply if a fee-for-service were introduced" yet it is not explained exactly how these shares are to be established, i.e. based on average water deliveries, demand for service, MDB Cap or some other option. This does need more clarification, discussion and consultation.

**4. The ability for the MDBC to allocate responsibility for River Murray Water structures from one constructing authority to another**

RGA largely supports this amendment, providing there is agreement between the parties. In addition, it should introduce some ability for competition and hence reduce the costs of construction and maintenance and deliver a more efficient service to water users.

**5. Ability to alter the financial thresholds**

RGA supports the alteration of the financial thresholds and that this is CPI indexed.

**6. Clarification that Queensland cannot be held liable for works and measures for which it is not directly involved**

RGA supports clarification of the liability of the Queensland Government.

**7. Other minor amendments**

RGA supports the minor amendments.

The RGA would like to draw the attention of the Committee to further issues for consideration.

**8. Inherent State Subsidy**

Whilst the partner Governments contribute to their required share of the MDBC costs, the way in which these costs are passed onto irrigators within each State needs consideration.

At present, MDBC costs that are attributable to irrigators are passed on to irrigators in the NSW Murray and Murrumbidgee Valleys (under the IPART determination). RGA understands that irrigators in Victoria only pay headwork's charges (i.e. for the dams) and the South Australian Government does not pass any MDBC costs onto irrigators within that state.

In other words, some States have an inbuilt subsidy to irrigators that is not transparent and is against the tenets of the National Water Initiative and its predecessor, the COAG Water Reforms.

These subsidies also affect the operation of the water market as each State's irrigators have inherent differences in the costs of water delivery.

## **9. Transparency**

The major issue in the NSW 2006 IPART Determination was the ability to clearly and transparently assess MDBC costs, including those that are passed onto irrigators. This is a result of two issues – firstly that the NSW IPART Act does not require IPART to fully assess the MDBC costs. And secondly that MDBC's clients are the State Governments who request that the MDBC only deal directly with them.

In saying this, the MDBC has made efforts in recent years to assist irrigators to understand the MDBC costs and the drivers for these costs. RGA supports an extension of this consultation to include a formal requirement for MDBC to establish an irrigator stakeholder reference group or to appoint an irrigator to the MDBC and Board of River Murray Water.

This would allow independent assessment by the irrigation sector to ensure that the MDBC costs are prudent, efficient and justifiable in terms of quantum and timing.

RGA would welcome the opportunity to expand on these comments at the public hearing, scheduled for 8 February, 2007.

Yours sincerely



DEB KERR  
POLICY MANAGER