

ORD RIVER - NORTHERN AUSTRALIA LAND AND WATER TASKFORCE SUBMISSION

718. Hon KEN BASTON to the Minister for Agriculture and Food:

I refer to page 9 of *The West Australian* of 29 August 2007, in which the minister is reported as saying that the price of water in the Ord valley is virtually zero, and that the money, water allocation and pricing were discussed when the minister and Deputy Premier Eric Ripper met Senator Heffernan's task force.

- (1) Does the Western Australian government support increased water fees for stage 2 of the Ord River project?
- (2) What is the anticipated magnitude of the increase?
- (3) Would any increased water fees flow on to growers in Ord stage 1; and, if so, what studies have been undertaken to determine the impact of these fees on the commercial viability of the existing enterprises?
- (4) Given the reported comments in *The West Australian* of 29 August 2007 that water charges are also paid by the privately owned hydroelectric company operating in Lake Argyle and that this effectively amounts to double-dipping, how will the Western Australian government justify the increase in irrigation charges?

Hon KIM CHANCE replied:

- (1)-(4) I think this question should properly be put to the Minister for Water Resources or the commonwealth government. The comments that I made, which I think were fairly accurately reported in the article to which Hon Ken Baston referred, related to a direct question about the nature of matters that were discussed between the state and the northern agricultural task force. I identified that one of the matters that was discussed was the issue of the commonwealth's interest in more rational water charging. The commonwealth is clearly interested in more rational water charging, and this lies at the very heart of the National Water Initiative, not surprisingly. The commonwealth, along with the affected states, must clean up an unbelievable mess that has been created throughout the Murray-Darling system, all the way from Queensland to South Australia. It was created as a result of political and uncommercial decisions that have been made historically in the development of agriculture on the Murray-Darling system. All those decisions have resulted in a massive over-allocation of water, and this is creating a huge issue for Australian agriculture and, indeed, for the Australian environment. The commonwealth is acting entirely responsibly in this by saying that it does not want to repeat the mistakes of the past.

The pricing structure for water at the moment in the Ord River irrigation area is reflective of the fact that the amount of land available for irrigation - about 13 000 hectares - is tiny compared with the volume of water that is available. The market has determined that the cost of that water to Ord River growers is, as I said, virtually nil. Some capital costs are paid, but the price of water is much lower in comparison with the price of water anywhere in Australia, let alone in Western Australia. What has been the effect of that? This is one of the issues that the commonwealth is interested in. It has looked at the amount of water that is available to service the Gascoyne irrigation area, which is tiny compared with the water that is available in other irrigation schemes, yet the net return from agriculture production in Carnarvon is in the order of \$60 million. It is almost the same amount as the net annual return from agriculture in the Ord River valley, which is 13 times the area and has a much larger water allocation. That is not to say that we could ever expect the same kind of return per giga litre of water in dollar terms in Kununurra as can be expected in Carnarvon. However, it points to the fact that we need to be targeted about the way we are investing in irrigated agriculture. I believe there is a strong case for Ord stage 2. I have been a supporter of Ord stage 2 for many years. However, I must acknowledge that the commonwealth's position that water needs to be charged on a rational basis is the right decision, and that is something that I support. Will that mean more expensive water for Ord stage 1? Yes, quite possibly. Will that mean that the price of water in Ord stage 1 will price it out of the market? No way on earth.