

## Sunraysia Irrigators Council Inc .

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Water Study

Productivity Commission

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MELBOURNE VIC 8003

### **Issues Paper Submission to discussion draft: The Role of Market Mechanisms – Rural Water Use and the Environment**

Dear Sir,

In the last submission made by the Sunraysia Irrigators Council (SIC) on the 5<sup>th</sup> February, one of the main points of concern about the effects of water trade was the large amount of water being traded into the Robinvale/Boundary Bend/Wemen area for large scale horticultural developments, mainly run as “managed investment schemes”. The amount of permanent water traded into the Lower Murray Water area has averaged 20,000 megalitres for the last 3 years. In June an announcement by the Swan Hill Council indicated that managed investment schemes had plans for a further **240,000** megalitres of water to be traded into the district over the next 3 years. This would almost double the current amount of water extracted from the Murray River under the control of Lower Murray Water, and as this development has all occurred upstream of Mildura, the SIC holds serious doubts as to the ability of the river to be able to supply at the peak of the irrigation season. In fact on two occasions in the 05/06 season (January and April), the Murray River was running at full channel capacity (according

to press releases from River Murray Water) and water restrictions were considered but fortunately avoided.

The combination of unchecked water trade and tax minimization driven managed investment schemes is producing distortion in the way water is distributed along the Murray.

The SIC believes that the unbundling of water entitlements and water trade are having serious detrimental effects in pumped irrigation districts. Water will gradually be traded out of the pumped irrigation districts as irrigators are forced to leave the land due to the relentless downward pressure on commodity prices. It is unlikely that large amounts of water will be ever traded back into the pumped districts when/if commodity prices improve, due to the high cost of supplying water and the poor condition of infrastructure.