



THE HON SIMON CREAN MP

**Minister for Regional Australia, Regional Development and Local Government
Minister for the Arts**

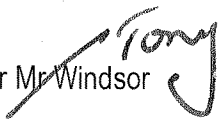
THE HON TONY BURKE MP

Minister for Sustainability, Environment, Water, Population and Communities

Reference: C11/226

Mr Tony Windsor MP
Chair
House of Representatives Standing Committee
on Regional Australia
Parliament House
CANBERRA ACT 2600

15 MAR 2011

Dear Mr Windsor 

Thank you for your letter of 9 February 2011 concerning the initial findings of the House of Representatives Standing Committee on Regional Australia's inquiry into the impact of the Murray-Darling Basin Plan in regional Australia.

We note that you raise three particular issues: the desirability of more strategic water buybacks, the taxation arrangements applying to water infrastructure investment grants, and the need to consider engineering alternatives to overbank flows when modelling water requirements of icon sites. Thank you for raising these important issues in advance of tabling the Committee's report.

We, and Minister Ludwig, have visited regional communities throughout the Murray-Darling Basin and held discussions with community representatives, local government bodies and Regional Development Australia (RDA) committees. The same issues have been put to us as matters on which regional communities place a high priority, and these have been discussed within Government.

As you are aware, the Government has already responded to two of the issues. On 18 February 2011, we issued a joint announcement that the Government would move to change current taxation arrangements for irrigators who take up water efficiency investment grants to allow more strategic infrastructure investment. The tax changes will be backdated to 1 April 2010.

This taxation announcement in turn unlocked the announcement of Round 2 of the Private Irrigation Infrastructure Operators Program. This program will assist irrigation authorities to lead strategic infrastructure investments and manage concerns about stranded assets.

We also announced changes to arrangements for water buybacks. Future purchasing rounds will be smaller and more consistent, minimising the disruption to communities and managing distortion in water markets. Minister Burke is considering further options for prioritising strategic recovery of water and minimising 'Swiss cheese' effects.

The third matter you raise in your correspondence relates to the modelling of watering needs of icon sites and the implications of overbank flows. These issues have been referred to the MDBA for further examination, and will be discussed by Minister Burke and state water Ministers in early April 2011. The Government will subsequently reconsider the matter.

To achieve the reform needed in the Murray-Darling Basin, we need a bipartisan approach. The report from your Committee is important in delivering such bipartisanship in the Parliament, and we look forward to the tabling of the Committee's report in the House.

Yours sincerely

A large, stylized handwritten signature in black ink, appearing to read 'Simon Crean', with a long horizontal flourish extending to the right.

SIMON CREAN

Minister for Regional Australia, Regional
Development and Local Government

A handwritten signature in black ink that reads 'Tony Burke' in a cursive style.

TONY BURKE

Minister for Sustainability, Environment,
Water, Population and Communities