

WFA member update on Murray Darling Basin reform: October 28

Overview

WFA members would be aware that many irrigators in the Murray Darling Basin have strongly opposed the guide released on October 8 by the Murray Darling Basin Authority (MDBA), which proposed introducing water extraction caps required to improve the environmental health of the Basin. In order to meet those caps, many irrigators would need to sell water to the Government or participate in irrigation efficiency schemes.

Two announcements this week – both welcomed by WFA – have added clarity and calmed the debate somewhat.

The first is the confirmation by the Federal Government that it will only purchase water from willing sellers. The second is the release of legal advice stating that, under a fair interpretation of the Water Act, social, economic and environmental considerations are equally important in determining how to achieve water reform. This may mean the MDBA will alter the pattern of proposed caps, and that the overall cap may be changed.

WFA raised both these issues in its initial response to the MDBA guide. We made it clear that while we welcomed the report as a way of beginning the much-needed discussion about the Basin's future, we would

- need to consult with stakeholders over the accuracy of the report before making a more detailed response
- seek a commitment that the Government would: maintain infrastructure improvement initiatives; only purchase from willing sellers; and address the community impacts of the buyback.

Most of the key impacts of the proposed water use cuts are still unknown at this stage and will depend on: how the State Government water plans are implemented; whether or not the Federal Government guarantees community support; and whether irrigation schemes are rendered ineffective.

Summary of the likely impacts of water reform

Direct impacts on the operations of the wine sector may include the following.

- Some growers are likely to sell some or all of their water entitlement to Government, meaning less production from the Basin and fewer growers overall.
- Water owners generally are likely to benefit from improved water trading freedoms.
- There is a high risk that the management and maintenance of irrigation schemes will become less effective and more costly. This will depend on the local outcomes of

Government water purchases, and whether State and Federal Governments will ensure the effectiveness of those schemes.

- The quality of irrigation water is likely to improve, reducing the salt pressure on vineyard soils.

Indirect impacts on the wine sector include the following.

- Potential reduction of businesses, services and property values in local communities in response to fewer irrigation-based businesses in a region.
- Potential staff turnover in businesses as families and communities adjust to irrigators leaving the basin.
- Maintenance or enhancement of the reputation of the Australian wine sector's sustainability in overseas markets.

WFA's response at this stage

WFA supports the principle of water reform in the Basin as a necessary part of the process of ensuring the sustainability of the environments and businesses in the long term. The MDBA guide has delivered a plan for where water cuts can be made to meet environmental needs within the Basin, mitigated by social and economic considerations.

Whether or not this plan is modified in response to feedback and reinterpretation of the Water Act, the key aspect of water reform that will establish how the impacts listed above will occur is the way in which state and federal governments implement water reform to meet those water cuts.

Questions for the State and Federal Governments:

- How will the reform of water trading rules be conducted?
- How will the States decide who gets the water?
- How will the reductions occur if there are insufficient willing sellers?
- How will communities be looked after?
- Will irrigation upgrade funds be spent as intended?
- Will environmental water use be efficient and effective?

Question for the MDBA:

- The MDBA has attempted to treat each region and State as equally as possible, but is there a case for considering the historical efforts and constraints faced by irrigators in each section of the basin, and the value of irrigated production in the region?