



Water Reform in the MDB: Benefits of Change

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15 October 2010

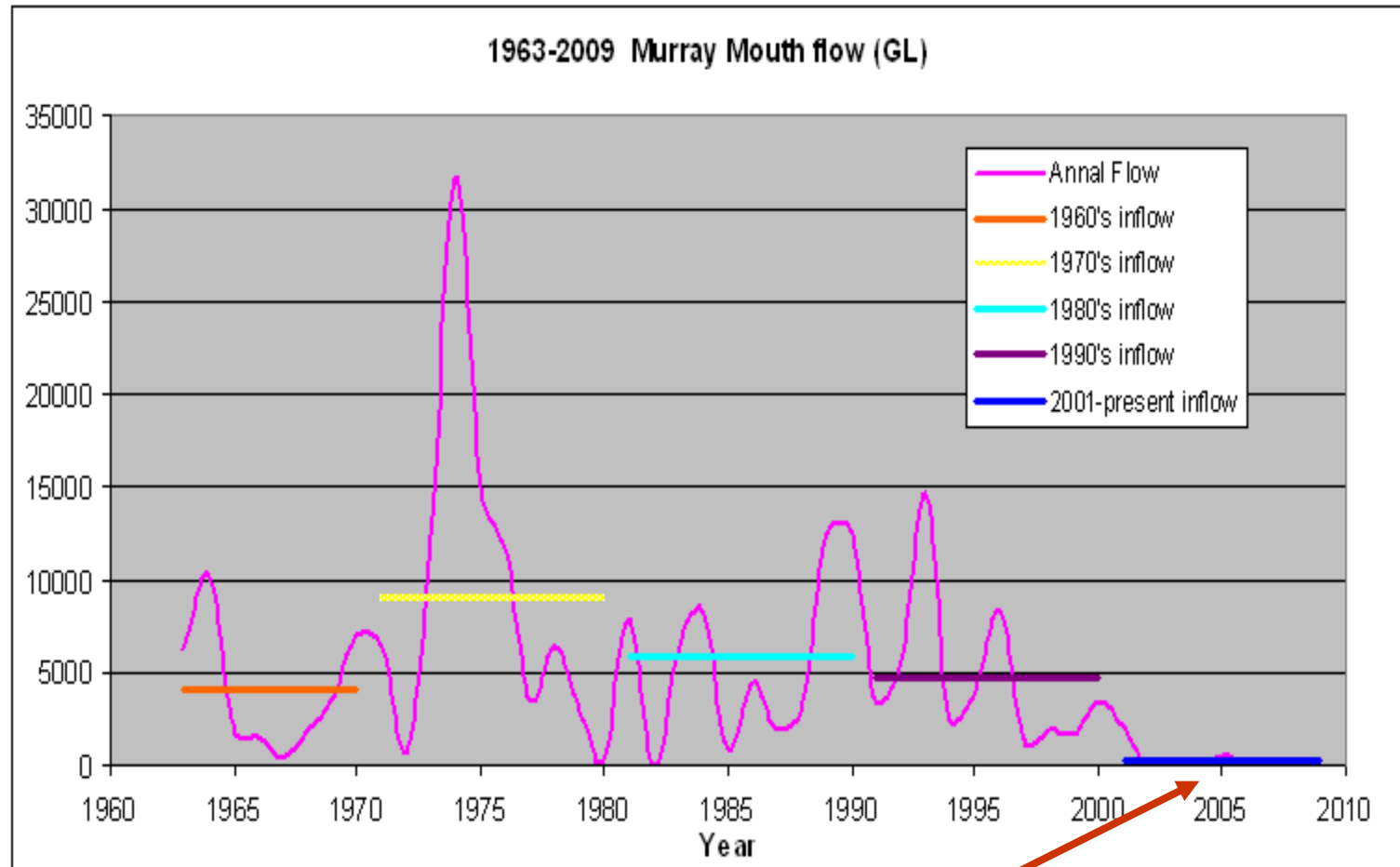
Water Act & Guide Document

- Water ACT 2007 requires that environmental water requirements must **NOT** compromise:
 - Key ecosystem functions
 - Key environmental assets (including water dependent ecosystem services)
 - Key environmental outcomes
- Guide document sets 3,000 – 7,600 GL/year as minimum and maximum to meet Water Act

Why We Need Water Reform

“The Authority also recognises that the environment has not had sufficient water for decades. This has led to serious environmental decline in many parts of the Basin. The real possibility of environmental failure now threatens the long-term economic and social viability of many industries and the economic, social and cultural strength of many communities.”

Flows at Murray Mouth



Valuing Environmental Benefits

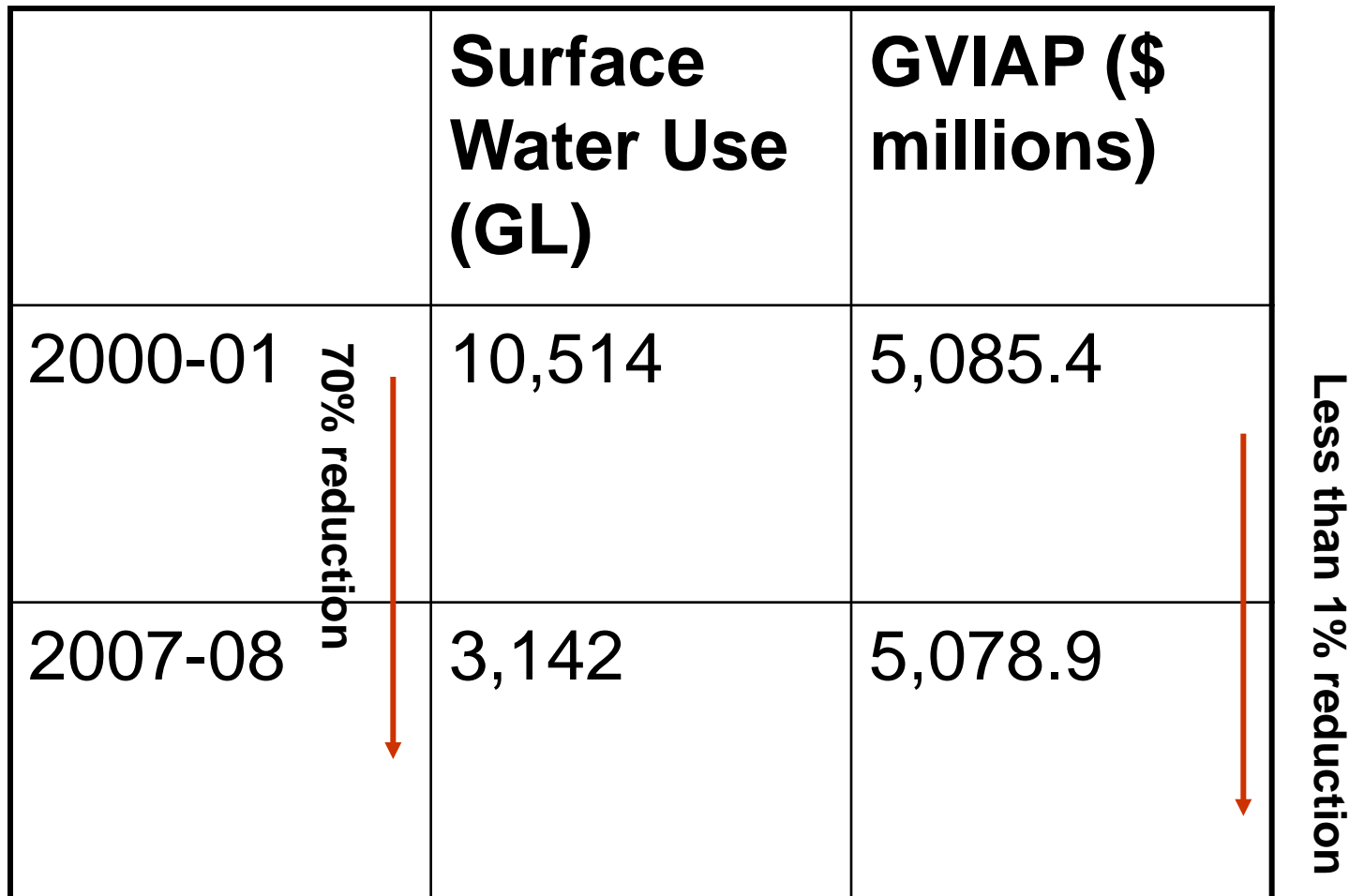
- \$13.71 per person to improve water breeding events in Macquarie by one year (Morrison et al. 2002)
- \$1.83-\$2.92 per person to increase healthy riverine vegetation by 1% in NSW Rivers (Morrison and Bennett 2004)
- Aggregate willingness to increase:
 - the frequency of waterbird breeding (10 to 7 years);
 - native fish populations (30% to 40% of original levels);
 - area of healthy native vegetation (50% to 60%);and
 - improve waterbird habitat quality in the Coorong is equal to \$1.2 billion per year for 10 years

Reality Bites: Australian Bureau of Statistics

	Surface Water Use (GL)	GVIAP (\$ millions)
2000-01	10,514	5,085.4
2007-08	3,142	5,078.9

70% reduction

Less than 1% reduction



Reality Bites: The Australian Economy

- Australia has 11.3 million employed and generates around 850 jobs per hour per working day.
- Unemployment in the Basin is comparable to national average (5.1%)
- Australia has one of fastest growing developed economies in the world (3.6%/year)

Money for Water

- Life-time losses to holders of water entitlements will be fully compensated commitment by Prime Minister Gillard in August to “bridge the gap” between long-term extractions and sustainable diversion limits.
- Commonwealth will likely spend about \$5.5 billion to compensate willing sellers for reductions in water extractions — on average, \$300,000 per irrigator.
- Billions spent to acquire water entitlements will generate large positive flow-on effects, including jobs.

Transitional Losses

- Modelling independent of the MDBA indicates (Basin wide) **NOT** accounting for gains in the Basin from buying entitlements:
 - (1) transitional job losses (direct and processing)
= 8,760 (18%) to 10,920 (24%)
 - (2) foregone annual profits in irrigated agriculture
= \$ 152 million (10%) to \$263 million (17%)
 - (3) reduction in Gross Value of Irrigated Agricultural Production (GVIAP)
= \$439 million (9%) to \$697 million (14%)

Reducing Transitional Losses

- Free up water trade (worth about \$2.5 billion in 2008-09) to allow water to go to its highest value in use by crop and region.
- Use some of the \$4.4 billion under *Water for the Future* allocated for upgrading and modernising irrigation infrastructure to help those communities most affected by the Plan.
- Seek community leaders and reallocate from ‘hard’ infrastructure funds to support ‘soft’ infrastructure and co-invest in the pool of knowledge, skill, expertise and know-how within Basin communities to ensure a sustainable future.