

## EXTRACTED FROM:

Murray-Darling Basin Authority, 'Fair water management depends on secure property rights', (Media release, 26 September 2018) <https://www.mdba.gov.au/media/mr/fair-water-management-depends-secure-property-rights>

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# Fair water management depends on secure property rights

Published: 26 September 2018 • Opinion pieces

With the current drought hurting communities across large swathes of Queensland, New South Wales and increasingly Victoria and South Australia, it's understandable that farmers and policy makers are looking for ways to help.

Some have raised the idea of diverting water initially bought by Australian tax payers to help the environment, so it can be used to finish fodder crops instead. This proposal is appealing in its simplicity but as is so often the case with water policy, the devil is in the detail.

The Basin Plan came about because, during the millennium drought, the river system was in decline and agricultural industries were critically vulnerable. Through the Basin Plan, there are limits on how much water is available to irrigators and other water users – because we now understand that the ability to enjoy the many benefits of the Basin's water resources in the long term depends on them being managed sustainably.

Firstly, water in the Murray–Darling Basin is held under a system of entitlements that have a value and can be bought and sold at a price set by the market. These water entitlements are assets and, like any other property right, can be traded giving entitlement holders a source of revenue if conditions remain dry. Interfering in the market could jeopardise the returns people are banking on.

Secondly, in a practical sense, making water available to fodder growers would be a difficult proposition. Releasing water onto the market would see it bought by the highest bidder, most likely those growing higher value crops. Any attempt to impose price and purchasing restrictions to benefit one sector over any other would distort the market and erode the value of the asset. And there is water available to buy right now—at market rate—from those who choose to sell.

Some have suggested that the environment could lend water to farmers. This is not possible under current legislation. And even if it were, borrowers could face the real risk of having to enter the market to repay the loan when there is less water available and at even higher prices.

Others have suggested changing the legislation that determines when and how Commonwealth environmental water can be traded so it can be made more readily available to farmers. The current rules say the Commonwealth can only sell water at market prices and must have confidence that trading the water will not diminish environmental outcomes. These are the right rules if we want to ensure the Basin will be healthy in the long term.

There is merit in looking for new ways to help farmers adapt to our highly variable climate. The agricultural sector is of great importance not only to the communities and the economy of the Basin but to the national economy. What we don't want is to unintentionally undermine the value of water entitlements and create more problems than we're fixing.

No one knows how long the current drought will last so we have to manage the Basin, whether it is productive farmland or iconic wetlands, for the long haul. The Basin Plan gives us the framework to do this—it's what protects the future of the Murray–Darling for all Australians.

**The Hon Neil Andrew AO**  
**Chairman Murray–Darling Basin Authority**  
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