



**SUBMISSION TO THE MURRAY-DARLING BASIN ROYAL
COMMISSION ISSUES PAPER 2**

1st June, 2018

Australian Vignerons

Australian Vignerons (AV) is the National Peak Body representing winegrape growers in Australia recognised under The Wine Australia Act 2013. AV exists to be an effective advocate at the national level to address issues of concern to Australia's winegrape growers. Our vision is for a profitable, innovative and environmentally sustainable winegrape industry that has the capacity to respond to current and future challenges. There are over five thousand growers of wine grapes across the nation, over two thousand entities that make and sell wine, and numerous allied businesses whose viability is closely linked to that of the grape and wine sector. The Australian Wine sector as a whole defined as wine grape growing, wine making and wine related tourism contributes \$40.2 billion in gross output to the Australian economy and supports 172 736 full time jobs, most of which are located in regional Australia¹.

More than sixty per cent of Australia's total grapevine area is in the Murray Darling Basin, with around ninety per cent of these grapes being used for making wine. Grape production contributed an estimated 11 per cent of the total gross value of irrigated agricultural production in the Basin in 2014–15 (ABS 2016, 2017). As well as the major wine regions along the river in NSW, Victoria and South Australia, other regional grape growing communities use water from the Murray Darling Basin through pipelined supply.

The winegrape growing sector is predominantly located within rural and regional areas. The viability of the sector is therefore intrinsically linked with the prosperity of rural and regional communities. Any major impact to the viability of winegrape growers will have widespread ramifications in these regional economies.

Water use efficiency has been of high priority to Australian winegrape growers and the industry has worked hard to improve its practices. ABS (2015) reports that most wine grapes are irrigated with efficient drip or micro spray and the industry and that flood irrigation had been all but phased out by mid 2000s. Australia's winegrape growers continue to strive for improvements in water use efficiency, and our innovative environmental sustainability program Entwine supports the industry in monitoring its achievements.

Summary

AV acknowledges the importance of environmental flows for maintaining the health of rivers, streams and catchments and supports the use of works and measures to return water to the environment. AV supports public investment in upgrades to water infrastructure and is of the view that the savings achieved should first and foremost go towards an Environmentally Sustainable Level of Take (ESLT) that does not compromise

- key environmental assets, or
- key ecosystem factors, or
- the productive base of the water resource, or
- other key environmental outcomes for the water resource.

¹ Gillespie Economics, 2015 *Economic Contribution of the Australian Wine Sector* Gillespie Economics sourced from <https://www.wineaustralia.com/WineAustralia/media/WineAustralia/PDF/Market-Insights/2016/Final-AgEconlus-Economic-Contribution-Australian-Wine-Sector.pdf> 31st May 2018

Without limiting the statements above, the Basin Plan must seek to provide a level of certainty for irrigators. Access to irrigation water is essential to the commercial production of winegrapes in the majority of winegrape growing regions of Australia. Any changes in the security and availability of water for irrigation affects both regional communities and irrigators. The profitability of the sector will be enhanced by policy that maximises certainty surrounding the availability of irrigation water.

In accordance with The Water Act, AV supports the application of Sustainable Diversion limits (SDLs) on the volumes of water for irrigation allocation in catchments – provided that the catchment management authority or other responsible government entity’s application of the SDL is based on rigorous scientific assessment that is open to review by industry and the community, and that the water available within the SDL is allocated according to the existing hierarchy of water rights.

This sets the fundamental principles for the present and future implementation of the Plan and the way it should be interpreted and reviewed over time, and is independent of social and economic considerations. AV recognises that an SDL that primarily ensures the sustainability of the environment provides a suite of socio-economic benefits for the Basin communities.

AV supports policy that recognises and compensates for public investment that improves:

- Supply efficiency;
- Infrastructure efficiency;
- New environmental watering regimes.

AV recognises the achievements towards meeting the ESLT and the strong commitment that Basin states, communities and the Australian Government have made to manage the changes required to work towards a healthy working Basin. AV supports the provision of a reasonable transition period to allow industry to adapt to any changes in SDLs.

It is AVs view that by 2024, the Government must commit to bridging the gap between the 2750GL target for 2019 and an ESLT. AV does not however support any additional removal of water from irrigators taking place prior to a comprehensive assessment and reconciliation of the 36 supply measures and the Northern Basin Review having been completed. The Basin Plan should ensure these measures are reviewed progressively and no later than the June 30 2024 deadline.

(a) the manner in which the Water Act 2007 (Cth) (Water Act) has been construed in order to determine a long-term average sustainable diversion limit which reflects an environmentally sustainable level of take (ESLT);

AV agrees with the basic principles raised in the issues paper with regard to the fundamental importance of correctly interpreting and utilising the definition of ESLT as per The Water Act.

(b) what the consequences of that construction might be for what is defined below as the proposed SDL Adjustment Amendment;

AV recognises that there is strong commitment from the MDBA to ensure that the 36 supply measures are implemented over the next six years, to meet the June 30, 2024 deadline.

AV understands the issue that the predicted water savings of 605GL relies on the assumptions that the modelling is sound, and that the 36 supply measures will be completed by the deadline. The following measures would address this:

- Solid agreements which commit all parties to the delivery of the supply measures by June 30, 2024;
- Regular reviews to ensure progress is made;
- The requirement for all supply measures to be proven and quantified; *followed by*
- A full reconciliation of supply benefits to commence no later than June 30, 2024 and SDL adjustments made, if necessary, during the life of the plan.

AV's view is that any further increases to SDLs should only be made once adequate water for the environment has been made available and once the outcomes of the programs have been quantified and proven.

(c) what the consequences of that Water Act construction might be for what is defined below as the proposed NBR Amendment,

AV recognises the potential issues of implementing a 70GL reduction to water for the environment prior to the toolkit measures having been evaluated and suggests the following mechanisms be in place to address this:

- Agreements which commit all parties to the delivery of the toolkit measures by June 30 2024;
- Regular reviews as progress is made;
- The requirement for environmental benefits flowing from any measure to be proven and justified;
- A reconciliation of environmental benefits to commence no later than June 30, 2024 and SDL adjustments made, if necessary, during the life of the plan.

That the principle of demonstrating benefits prior to making further adjustments to SDLs be enshrined in future Basin Plans as a matter of principle.

(d) whether the Basin Plan itself complies with the Water Act if the Basin-wide long term average SDL does not reflect an ESLT.

AV is not in a position to make a legal determination on whether the Basin Plan complies with the Water Act however AV *does* have concerns with regards to how the results of this enquiry might impact upon water security for winegrape growers. Without limiting the importance of setting an ESLT in accordance with the Water Act, AV holds a view that economic and social factors should be considered when determining how and over what time period the Basin Plan sets out to meet the ESLT. AV notes that an inclusion in the Objects of the Act is to provide for 'improved water security for all uses of Basin water resources' and 'the use and management of the Basin water resources in a way that optimises economic, social and environmental outcomes'.

Further comments

AV does not support the compulsory acquisition of water rights by Government and holds the position that the acquisition of water rights by Government must be fairly and reasonably compensated and be subject to extensive irrigator and community consultation, a full assessment of the socio-economic impact on the community, and a commitment to provide support for the community where those impacts are assessed as significantly negative.

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