

**Senate Rural and Regional Affairs and Transport  
References Committee**

**Management of the Murray-Darling Basin  
Second interim report: the Basin Plan**

**Addendum**

The text on the following page should be read into the report on page 36 of chapter 4, after paragraph 4.37.

4.38 The committee also heard evidence from ABARES regarding how the different categories of water entitlements (i.e. high-security and low-security) were reflected in the economic models of the 2750 GL/y reduction of take for the Basin.

4.39 When asked about whether the MDBA had specified the different water types to ABARES for use in its modelling of buybacks, an ABARES official stated that there was 'no differentiation between the types' and later added that for 'all intents and purposes the difference between low and high security water is reflected in the average yield'.<sup>1</sup>

4.40 When pressed further about differences in availability of water types, the ABARES official conceded that 'we do not have that information'.<sup>2</sup>

4.41 ABARES provided some further explanation of how water types are considered as part of its modelling of the impacts of the 2750 GL/y figure. In an answer to a question on notice, ABARES outlined this aspect of its modelling as follows:

The ABARES water trade model is a 'water use' model that models how irrigators use available irrigation water during the year. The model does not explicitly model entitlement classes, but rather aggregate allocations across regions and industries.

For the Basin Plan modelling a long-term average year of water availability was modelled, with water allocations based on observed long-term average allocations...differences in entitlement types are reflected through differences in their long-term Cap equivalents.

ABARES modelling is broadly consistent with the Commonwealth purchasing an equal proportion of high and low security entitlements. That is, if it was assumed 25 per cent of entitlements within a region were to be purchased, then this would involve purchasing 25 per cent of the high security entitlements in the region and 25 per cent of the low security entitlements.<sup>3</sup>

4.42 The committee remains very concerned about the accuracy of models regarding the socio-economic impacts of the 2750 GL/y figure on the Basin when such models do not consider full details about how different water types are used in practice.

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1 Mr Orion Sanders, Economist, ABARES, *Committee Hansard*, 24 April 2012, p. 13.

2 Mr Orion Sanders, Economist, ABARES, *Committee Hansard*, 24 April 2012, p. 14.

3 ABARES, answer to question on notice, 24 April 2012 (received 5 June 2012).