

Background information and comments to assist senators as they inquire into “the ability of the Commonwealth, across state borders, to sustainably manage water resources in the national interest

Prepared by Professor Mike Young, Research Chair in Water Economics and Management, The Environment Institute, The University of Adelaide, Adelaide, SA 5005
Email: Mike.Young@adelaide.edu.au

Comments on Terms of Reference (a)

The issuing, and sustainability of water licences under any government draft resource plans and water resource plans.

- 1) As reported by the National Water Commission in its last assessment, the prime purpose of most water resource plans is to provide investment security to users with rules-based arrangements for the environment. Under pressure, however, many of these plans have had to be suspended. The environment has borne a disproportional share of the impact.
- 2) The solution to managing the long-term balance between use and the environment being developed by the Commonwealth and now being implemented under the Water Act is to purchase entitlements and transfer them to a quasi-environment trust.
- 3) As a result, a significant proportion of the water available to environmental managers for the maintenance of biodiversity outside the main channel of a river will be defined using a property right rather than a planning approach. As envisaged in the National Water Initiative, the result is a much more robust allocation regime capable of coping with whatever the future may throw up.
- 4) Management planning arrangements would be more effective if all “environmental” water was defined in such a manner and arrangements put in place to convert all rules-based allocations into entitlements defined in the same way as all other entitlements are defined. If this is done then the role of water resource plans would change significantly.

Comments on Terms of Reference (b)

The effect of relevant agreements and Commonwealth environmental legislation on the issuing of water licences, trading rights or further extraction of water from river systems

- 1) Existing agreements between the Commonwealth, NSW and Victoria are coming at a significant cost to many regional communities, to the environment and to the economy of Australia.
- 2) As recognised by all governments in the National Water Initiative when assistance or protection is given to one group of water users, all others lose out. Whenever structural adjustment is impeded Australia, as a Nation, loses.

Comments on Terms of Reference (c)

The collection, collation and analysis and dissemination of information about Australia's water resources, and the use of such information in the granting of water rights

- 1) Markets and trading arrangements will be most efficient if information is required to be made available if all aspiring participants can see the nature of all offers being made in an unidentified form. In a similar manner, it should be possible for all aspiring participants to identify how much a buyer and seller have agreed to pay as soon as the contract is completed.
- 2) The Commonwealth as the dominate purchaser of water entitlements in the Murray Darling Basin could set an example and make such information available.

Comments on Terms of Reference (d)

The issuing of water rights by the states in light of Commonwealth purchases of water rights

- 1) As I recommended to the Senate when it was inquiring into the Water Act, the Water Act should enable the Commonwealth to register each state's and the environment's interest in each water resource and issue a bulk entitlement that defines that interest.

Under such an arrangement it should also be possible for the Commonwealth or any other person to transfer an interest from a State register to this register.

Tuesday, 1 December 2009