

National Water Market - Privatisation of the Murray Darling

For too long the problem with the Murray Darling Basin (MDB) has not been drought or climate change but as the people who are beginning to rally in large numbers over recent weeks in South Australia are being correctly told the crisis is man made; the MDB is being mismanaged and water has been over allocated by governments. *The Australian* 3/9/08 "National Water Commission chairman Ken Matthews said this week there were no national guidelines for dealing with over-allocation "Under current conditions, many significant water-dependent ecosystems are under threat," he said."

The member governments of the Council of Australian Governments (COAG) are behaving as if there is no crisis, no drought, no disaster evolving in the Lower Lakes and the Coorong and it is business as usual; the previous Howard Government's Management Investment Schemes has resulted in corporations buying up scarce water to establish new irrigation projects during the peak of the drought, the Queensland Government in 2007 tried to auction water licenses in the Warrego River until it was stopped by the Howard Government, the NSW Government until very recently 3/7/08 has stood idly by while up stream farmers steal and divert water from the Murray Darling, the Darling is bone dry, the Menindee Lakes has been experiencing significant problems with water quality (salinity) that had significance affects on the citizens of Broken Hill and their plumbing systems in 2004 (ABC TV Stateline South Australia 8/8/2008).

The Brumby Government is planning to pipe 75 GL (1 giga litre = 1 billion litres) of water per year from the Goulburn River to Melbourne and is ignoring calls from its own farmers for a moratorium to be placed on permanent water trade out of the district of origin during what has been a long and protracted drought 4/7/08. It is also planning to build 150 GL desalination plant at Wonthaggi in Bass to alleviate Melbourne's water problems. The South Australian Government is planning to build a 50 GL desalination plant, a weir at Wellington and for the first time in their history cut off the Lower Lakes from freshwater.

Not unsurprising significant opposition by the people who live in these regions is beginning to mount to opposing these plans in South Australia and Victoria. Around 10,000 people attended a rally at Goolwa on one of the coldest Sunday mornings of the year on 10th August 2008 and the numbers attending South Australian rallies are being to grow.

State of Emergency Needs to Called

Also correct is the need for a State of Emergency to be declared across the entire MDB to ensure the viability of the entire river system given the neglect by state and federal governments and to address the consequences of a drought that is far from over. Those who rallied on the steps of the South Australian Parliament on 1/8/2008 were told of the need to be prepared to fight for the Murray Darling as was done to save the Franklin River. For too long the MDB has been treated as reservoirs of water and not as a living natural system of water environments that need conservation.

Royal Commission Required

There is however a desperate need for the systemic causes of the neglect, mismanagement, over allocation and market based water reforms to be investigated and determined before making long term changes to the governance of the MDB and for that the new Federal Government needs to show leadership and call a public Commission of Inquiry, a Royal Commission.

Clearly there are choices that need to be made if there is not enough water to go around particularly in times of drought. These are not choices that can be made by markets or politically independent national bodies established to support those markets; they must be made by government using political processes. The choices that need to be made are the river and domestic needs must rank ahead of export needs i.e. all high security water must be reserved for domestic needs. In terms of domestic needs choices need to be made to give priority to households that depend upon river water and irrigators that provide fruit, vegetables and dairy products to the domestic market i.e. those that put food on the table of Australians where use of river water is justified.

The advocates of reform like the Wentworth Group of Concerned Scientists advocate the use of markets to manage water and to rely on a political independent body – both ideas are ill conceived and result from the idea that governments are incapable and markets are the only ones that can be trusted i.e. the tired privatisation agenda is the only viable solution, water must go to the most efficient (economic) user who can afford to pay, irrespective of the consequences, and because we are in a crisis we must act now.

COAG and the Market Privatisation by Stealth

Those who support water reform have been careful not to use the privatisation word and accordingly the public have not been told the truth by the Council of Australian Governments (COAG) that their water reforms are about enhancing the market privatisation of the waters of the MDB. What was once a license granted by state governments to extract a quantity of water by a property owner from the MDB has been unbundled into a marketable property right that can be owned by anybody with the capital to purchase or a bank to hold as a mortgage.

These licenses were never sold by state governments in the first place and the amount of water that a licensee can access as an allocation is controlled by state governments and needs to be charged for as it should be given the considerable public and continuing investment in the infrastructure of the MDB to recover a fair share of costs of the public infrastructure. It remains unclear to me how Australian governments achieved this monumental theft for markets without firstly gaining the direct approval of the Australian people via a referendum supported by changes to the Australian Constitution, this is truly an economic rationalist experiment on a grand scale.

COAG therefore is not a solution to our problems but one of the causes. It was a COAG meeting in 1994 that decided to establish an open market or free trade in river water instead of immediately addressing the over allocation of water and establish policies for its use such as giving priority to maintaining the health of the river system and putting domestic needs ahead of export markets. COAG meetings are not open to the public or recorded in Hansard when they should be.

Snowy Mountains Scheme Privatisation

Let us not forget that the Howard Government supported by the NSW and Victorian state governments tried to privatise the Snowy Mountain Scheme including its waters in 2006 but John Howard backed down in the face of a massive backlash by farmers, environmentalists and unions. *The Australian* website reported 2/08/08 that "The head of the Snowy Mountains Hydro-Electric Scheme has launched a new campaign to privatise the authority in a move that could reignite a fierce battle between the Hydro and farmers, environmentalists and unions." This is cause for considerable concern for Australians.

The Howard Government also introduced farm-based managed investment schemes which have been labelled as a 'disgrace' by South Australia's Water Security Minister (*The Australian* 25/7/08) for distorting agricultural markets. These schemes are purely self-serving for their investors and where MDB water has been purchased by these corporations they are currently free to use the purchased water to produce products for overseas markets. COAG has used the new water market to expand the irrigation industry during one the most significant droughts in our recent history. Something is seriously wrong when those with money can buy whatever water they need whilst the rest of us including the river system have to go without or put in place expensive desalination plants with their considerable environmental baggage. Australians must control the waters of the MDB for the common good and not corporations, private investors or free trade agreements.

The establishment of a national (politically) independent body, advocated by the water reform movement, is no solution as in whose interest is this body going to serve and how is this body going to be accountable to the people of Australia? Handing control to the Federal Government is also not a solution for as we have seen the federal government can't be trusted to make the right decision let alone represent the people of South Australia with its limited representation in the House of Representatives compared to the eastern states.

Former South Australian Premier Don Dunstan would never have allowed the management of the Murray Darling to allow the Lower Lakes and the Coorong to dry up. He must be turning in his grave given COAG's priority to establish water trading as a management solution. *The Australian* Editorial 5/8/2008 pointed out that 5,300 billion litres (5,300 GL) was diverted from the MDB in 2006-7 for farming, town and other uses was the lowest in a quarter of a century due to the severity of the drought. COAG has failed to ensure the Murray Darling gets a fair share of water to conserve the river as intended by our founding fathers in section 100 of the Australian Constitution.

Federal Government's Competition Policy

The market reform agenda was forced on states by the Commonwealth under the guise of Competition Policy in the mid 90's and none of the parties, including the media, involved in supporting water reform have been brave enough to explain to the Australian people that establishing a market in river water is privatisation. It also explains why progress has been so slow and neither the government nor the reform movement have initiated a public inquiry such as a Royal Commission or sought democratic authority to establish a national water market to implement the privatisation of the water of the Murray Darling. It is being done by stealth by the reform movement without publicly surfacing what is precisely wrong with current policies, management arrangements and governing laws.

In these circumstances a Royal Commission must be held to determine what is wrong with the management of the MDB and its governance and to make recommendations to address the problems even if that requires changing the Australian Constitution.

Apart from the NSW Government's \$105 million RiverBank scheme as far as I am aware state governments have not purchased water from the Murray Darling because clause 100 of the Australian Constitution bestows water rights to the states and the state governments license the use of river water and regulate its use. Why purchase what you own, control and whose flow depends upon the vagaries of the climate? The NSW Government's RiverBank scheme purchase of "water access licenses" underscores the point, why is it purchasing a water access license it granted in the first place?

The Rudd government is the first Australian Government in history to purchase river water in 2008 and presumably is using clause 51 (xxxi) of the Australian Constitution to overcome clause 100 now that a water market is operating between states. The Commonwealth is purchasing water licenses from "willing sellers" within a state and not from state governments. The whole idea of purchasing water from "willing sellers" lacks any strategic focus on the part of governments as to what purpose the water was being used, its reliability (security) and whether it is being used to serve domestic or overseas markets. There is a risk the wrong water is being purchased from "willing sellers". Compensation as part of any structural adjustment of water allocation needs to be looked at on a case by case basis and be jointly funded by state and federal governments.

The Queensland government tried to auction water from the Warrego to the market in 2007, despite the drought, but was eventually stopped by the Howard Government. The selling of water licenses by a state government also needs to be stopped as it is another foundation stone in the market privatisation of the waters of the Murray Darling.

Exporting Water

Professor Randy Stringer of the University of Adelaide recently pointed out in a University of Adelaide Water Wednesday lecture on 2/7/08 that Australia exports a net 4,000 GL of water in agriculture products. This data comes from 2001 figures on page 137 of Farmhand's "Talking Water" report 2004. This begs the question just how much of MDB's water is being used for export that has been either extracted or prevented from flowing into the river systems, it is time Australian knew the precise use of MDB water by all users, again this needs to be a matter addressed by a Royal Commission.

As recently as 28/6/08 Cubbie Station in Queensland announced that it plans to expand to grow food crops and wants to capitalise on world food shortages and high prices. Fair Water Use

Australia attributes the water storage capacity of the Cubbie Group to be around 537 GL of MDB water. Just 50 GL of water held by the Cubbie Group would save Adelaide the expense of building a desalination plant! This is an unacceptable outcome of current water policy and clearly a market solution is not going to be the answer as markets can only put their self-interest first, not the collective interests of the rivers and the citizens of Australia as a whole. This can only be done and must be done by governments acting for the will of the people.

Alternative Policies and Strategies

At a time when climate change needs to be taken into account, societies and economies need to be redesigned to ensure goods and services are produced and consumed with the least consumption of resources by the supply chain. This means our food needs to be produced as close as possible to the point of consumption and the needs of local markets must rank ahead of interstate and export markets. It goes without saying that looking after the end to end health of the Murray Darling needs to be an absolute priority and the needs of Australian citizens who directly rely upon that source of water supply and for food.

If the Federal Government truly has the interests of the Australian people and MDB at heart they should be announcing a Royal Commission, an open and transparent public Commission of Inquiry into its supply including water withheld from the river (public and private), ground water, what the water is used for (type of crop to meet a domestic or export market), the health and environmental condition of dependent ecosystems, its management including ownership, the impact and consequences of water reform, current governance and propose policies, actions that need to be adopted by governments to address Australia's cyclic weather patterns and the consequences of climate change. Terms of reference for a Royal Commission and State of Emergency scope have been developed for Fair Water Use (Australia) and posted on Fair Water Use's web site.

Given the current state of affairs, COAG need to think carefully and begin the redemption process by declaring a State of Emergency in the MDB. A moratorium must be placed on water trading during this period. The reliance on the water market is not a substitute for effective water policy designed to secure the health and competitive position of Australians given climate change.

Effective water policy includes the states taking control of all water including that withheld from the Murray Darling by private interests and ground water for the remaining duration of the drought and until the Federal Government Royal Commission reports. Emergency measures are established by COAG that focuses the Murray Darling Basin Commission and regional water management bodies to achieve the following:

- Critical domestic needs are put first to focus on sustaining the health and conservation of the Murray Darling system.
- Irrigators are able to meet the needs of Australians for food at an affordable price both now and in the future that enhances Australian's competitive position against imports i.e. like all costs the cost of water needs to be kept as low as possible.
- Reallocating water based upon domestic needs first (high-reliability water) and export use second (low-reliability water) taking into account the inherent variability of Australia's climate.
- Agricultural and industry purposes must be appropriate to the availability of water that takes into account not only economic but environmental impact and climate change.
- All other options for sourcing and effectively using water are thoroughly researched and developed to improve the range of available options in times of severe drought and to ensure appropriate use of water at all times.
- A Drought/Disaster Management Master Plan needs to be established for the MDB that addresses the above principles.

State governments of both political persuasions have been part of the reform movement since the mid-nineties and given the current crisis caused by the current drought have jumped to building expensive desalination plants, pipe line projects as a policy solution without addressing the issue of mismanagement and over allocation of our rivers, setting fair policies for water use and thoroughly investigate alternative options for water resources, their efficient and effective use.

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In Victoria the Bass Shire Council passed a motion on the 18th June 2008 "That this Council, informed by its research and investigation, believes the Government's decision to commit to a desalination plant at Williamson's Beach should be reversed. Council calls on the Premier, Hon. John Brumby MP, and the Victorian State Government, to abandon the decision to construct a desalination plant and to instead hold a comprehensive, open and transparent inquiry into options for Victoria's water supply. Council believes that the outcome of such an inquiry should inform future Government decisions." The best form of a comprehensive, open and transparent inquiry is to hold a Royal Commission.

South Australia also needs to hold a Royal Commission to examine the water resources available to it and whether a desalination plant is justified as an economic and environmentally viable solution for Adelaide given the outcome of a Royal Commission into the MDB.

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7th September 2008

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