

# LET THE MARKET SET THE WATER MARK

Opinion

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Governments spend too freely on water reform in order not to offend irrigators,  
writes Peter Cosier

In the past 2 years, the Australian government has spent \$350 million of your taxes to reform water management. That's over \$17 from every man, woman and child in Australia.

National water reform is about irrigators getting a secure title to water and the ability to trade this asset, the environment getting water to improve the health of our rivers, and the rest of us accepting we need to manage water more efficiently in our cities.

We need water for the environment to correct past mistakes and increase flows in over-allocated rivers. But because the government refuses to enter the market to buy water, we are paying well over \$5 million a gigalitre – 4 times the market price. This is a gross waste of tax payers money.

If we're not going to fix our stressed rivers with this money, then I want my \$17 back – and so should you – because that was the deal. Most Australian's are prepared to pay a fair market price to repair our rivers, but we work too hard to see it wasted subsidising uneconomic projects.

If we get it right, the 2004 National Water Initiative will be recognised as one of the most significant agreements in our nation's history because it signals a fundamental change in our understanding of our place on this continent. It acknowledges we are here to stay, that we no longer see Australia as a place to mine wealth and repatriate it back to Europe.

But instead of buying water to put back into rivers we are funding ribbon cutting projects.

Imagine what a bus driver in Melbourne or a nurse in Sydney would say if they discovered their hard earned taxes were paying three, four or five times more for environmental water that anyone else can pay on the open market.

Commonwealth funds should not be used to subsidise uneconomic projects.

Let me use one example. I have no reason to doubt that the \$5.6 million Chatswood CBD stormwater management project will provide a public benefit by stopping polluted stormwater entering local streams. But this project should have been paid for by the local authority and the costs passed on to water users – remember polluter pays. It is not the responsibility of the Commonwealth government to be funding pollution control projects in the Chatswood CBD.

The economic logic of giving irrigators a more secure title to water and the ability to trade, is to provide greater investment security and to allow water to trade to its highest economic use. No longer will we differentiate between water used for cotton and water used to grow other crops. We'll let the market determine the best use of that water.

If you accept that principle, you can't then credibly argue the environment is any different. We should be able to buy and sell water to optimise environmental benefits in the same way industry should be able to buy and sell water to optimise economic benefits.

The facts are this: on average, water utilities and irrigators take about 8,000 gegalitres (14 Sydney harbours) out of the Murray. We've committed to recovering 500 gegalitres over 5 years – 6 per cent of entitlements. Yet we are now being told if you buy that water from irrigators you'll send the rural economy into recession. What nonsense, new technology and market forces are improving water efficiency by over 1 per cent per annum anyway.

We can either subsidise uneconomic water projects and risk losing support of the community for these remarkable reforms, or we can adopt the economic tools we use to manage the rest of our country.

Governments buy hospital beds, they buy kilometres of road, and they can also buy environmental services – such as water needed to make our rivers healthy.

Taxpayers have put up \$2 billion for water reform and we have a right to get water. The \$1.6 billion Water Smart Australia program should therefore be buying water for our rivers. The government needs to set a target of 1,000 gegalitres for the remaining \$1.2 billion available – the current market price for water.

Instead of running grants schemes which aren't delivering water, buy it from willing sellers and let them use the money to invest in water efficiency.

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