

Hamlet Without the Prince of Denmark

(Submission to an Inquiry by the Productivity Commission into the *National Water Initiative*,
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1. This submission is similar to two submissions (2009, 2018) made by the writer to two similar inquiries on water policy undertaken by the Productivity Commission. These further brief remarks are prompted by a document on the PC website *National Water Reform 2024: Call for Submissions*; in particular, the section **Background** of Appendix A, Terms of Reference. The earlier submissions are attached for the convenience of PC commissioners and staff,
2. The statement 'a national approach to water reform started in 1994' is problematic. And not just because of the shared direct interest of four Australian states and one territory in the Murray-Darling Basin that predates Federation. The same issues – notably, water pricing, urban water quality, the appropriate role for government in the development of irrigation and the role of irrigation itself – have been around for 150 years. 1994 is not year zero in water policy.
3. The contention of this submission is that the so-called national approach is not 'reform', in the accepted meaning of the word – improvement. The PC is being asked to find the right answers to the wrong questions.
4. Just as the worthy aspirations of the 1994 COAG agreement were overtaken by the NWI in 2004, the NWI was displaced by the Commonwealth Water Act of 2007 and the Murray-Darling Basin Plan of 2012. Restoration of the National Water Commission and a new version of the NWI is not justified given today's convoluted water administration, confronted with tackling problems of its own making.
5. The four earlier initiatives/aspirations/stunts(?) shared the same difficulties (in no particular order).
6. There was too much emphasis on subsidized public investment in water infrastructure (urban and rural) that could and should have been financed by user charges, when justified. Instead, much of this investment happened according to political and popular whim rather than defensible techniques for project appraisal.
7. Public investment in private irrigation infrastructure can be rejected on standard role of government arguments. Less importantly, if more subtly, the stated reason for the investment – water saving – is dubious for hydrological reasons.
8. The Commonwealth Government should give water policy for Australia's capital cities and provincial towns a wide berth. These places have vastly different features with respect to urban water. The technical expertise, and rating base, to sort out their distinctive water issues has been available and effectively deployed for a long time. Recent Commonwealth involvement seeking a uniform approach has been ill-informed, costly, and unproductive.

9. Contemporary approaches to water policy do not have an economy-wide approach, treating water as a single input when other factors of production and economic possibilities should be accounted for in production and consumption. The PC does itself no favours by recycling the unsophisticated mantra of water use efficiency as one of many platitudinous stated objectives of the former NWI (Box 1, p.6).
10. Another problem of contemporary Australian water policy is its positioning outside the mainstream of Australian public administration. The worst example was the deliberate exclusion of the Commonwealth Departments of Treasury and Finance from the development of the 2007 National Plan for Water Security and the subsequent Water Act and MDBP. I know from personal experience that the situation was not much different in Victoria.
11. This professional and intellectual isolation expresses itself in a narrow view of environmental policy and naïve acceptance of the role of planning. Significant uncertainty surrounds environmental policy, conceptually and scientifically. Among many considerations, the reference points and objectives required for environmental decision-making are ambiguous. We are in the realm of timeless arguments about discretion versus rules in policymaking, path dependency, plan versus market, the design of institutions and much more.
12. Suffice to say in this submission that this uncertainty should affect the selection, design, and sequencing of environmental projects rather than a prescriptive plan such as has been cobbled together in the erstwhile \$13 billion MDBP. In short, the criterion of 'flow' uppermost in the thinking behind the MDBP is inadequate to define the environmental health of a vastly modified MDB.
13. Planning is ineffective in situations with many sources of uncertainty. The ingredients of effective water policies are well-known. Standard administrative procedures and gradualism could have done the trick. Regular flashy water policy statements in recent years with their tempting promises of lucrative grants and consultancies to all and sundry, and mind-numbing rhetoric about 'community consultation', reflect political circumstances, not objective and detached appraisal.
14. At page 4 of the *Call for submissions* to this inquiry, the PC asks about policy developments in the last three years with respect to its 2020 NWI renewal advice. Not much has changed. The MDBP drifts towards a predetermined time limit and its arbitrary flow-related targets. Tiresome arguments about the usefulness of water trading, and the merits of water recovery via investment in infrastructure vis-à-vis buyback persist when the matters are no longer contested in rational circles.