SUBMISSION TO THE PRODUCTIVITY COMMISSION INQUIRY INTO MARKET MECHANISMS FOR RECOVERING WATER IN THE MURRAY/DARLING BASIN

This submission discusses the Productivity Commission (PC) Issues Paper 'Market mechanisms for recovering water in the Murray-Darling Basin' to answer the questions:

What are the advantages and disadvantages of the different market mechanisms that could be used to obtain water for the environment? In particular, how do they compare in terms of compliance and transaction costs and the ability to meet different watering needs of environmental assets? (p. 19)

Are there other market mechanisms, not listed above, that the Commission should be considering?

One first assumes the reason government put an explicit price on water is to make people using it realize that it is a scarce resource and that a great many people would like to claim as much as possible of it for their own particular uses and ideals. This assumption leads to a consultation and research model where one may logically expect to look at a depicted geographic arena, such as Figure 1 entitled River catchments in the Murray-Darling Basin (p. 3), in order to be told the competing interests for scarce water in that geographic basin. The regulatory role of government, one assumes, is then to stand above that strife of water related interests, in order to assist competitive achievement of the range of goals which appear most in the public and individual interest, in the particular region under discussion.

The PC Issues paper 'Market mechanisms for recovering water in the Murray-Darling Basin', does not take the above approach to competition and I cannot properly understand its position. This is discussed later. The result, however, appears to be that the PC discussion of competition for water is out of touch.

Major development plans have been prepared for metropolitan regions by state governments. The federal Environment Minister has blocked the $1.8 billion Traveston Crossing Dam on Queensland's Sunshine coast on environment protection grounds, forcing the Bligh government to fast track plans for two new desalination plants (Australian Financial Review, 12.11.09, p.3). In this national and state decision making context, competition is ideally designed to serve nationally and regionally identified goals which are social and environmental as well as economic. It is therefore difficult to grasp the direction of the PC issues paper, which is addressed later. Related submissions are attached on the concept of 'efficiency' in response to the current Australian Superannuation system review and in regard to the proposed development at Harold Park in Sydney, which is owned by the NSW Harness Racing Club. Recommendations for the treatment of the Murray-Darling Basin are also suggested below:

1. Recognize that efficiency ideally relates to a clear statement of key aims ideally to be achieved in the Murray-Darling Basin and that competition ideally takes places to achieve these environmental, economic and social goals.

2. Plan and pursue agriculture, mining, eco-tourism and other industry goals in their regional land matrix contexts nationally and internationally to achieve all the goals of sustainable development – environmental, economic and social.

3. Act to reduce carbon pollution and protect biodiversity by weed and pest removal, planting more native vegetation and protecting river banks

4. Discuss the potential for competitive and stable industry superannuation fund and related investment in this national and regional planning context.

5. Consider carbon pollution reduction and related offset development in the context of the land matrix regionally, nationally and internationally to address global warming and loss of biodiversity.

A Critique of the PC Issues Paper 'Market mechanisms for recovering water in the Murray-Darling Basin'

In its discussion, the PC Issues Paper indicates the study is being undertaken to serve the Government's desire to restore the balance in the Murray Darling Basin program, to restore environmental flows. One assumes that government putting a price on water is designed to serve the function of encouraging marginal farmers to sell their land and water rights to government for environment protection purposes. One also assumes that the water price also serves the function of encouraging farmers and other producers who are not marginal to conserve water, not to waste it, especially before it reaches others.

Although the PC states that the Murray Darling Basin is home to many environmental sites identified under the Ramsar Convention, and that the Basin is Australia's largest and perhaps most important river catchment, which accounts for the majority of irrigated agricultural production, no more of this kind of information which is vital for government and private sector decision making and related investment is provided. How can the PC discussion of market mechanisms therefore assist the development of the Basin Plan which is to be produced by the Murray-Darling Basin Authority (p. 2) or anyone else?

The PC paper defines 'effectiveness' in terms of how well the outputs of the Australian Government's purchasing program achieve the stated objectives and recognizes that a first step in identifying effective market mechanisms is, therefore, to clarify the stated objectives (p. 6). On therefore wonders why the PC provides so little information on what these objectives may be in either the Murray-Darling Basin or in Australia.

The PC states that 'efficiency' refers to:

> 'maximising the net benefit to the community of the purchasing program. It involves having regard to all of the costs and benefits, including the environmental and social impacts. In this project, the most efficient outcome would occur where the net benefits of applying water to competing environmental demands was maximised, having regard to any adjustment costs that might be involved' (p. 6).

The common English dictionary definition of 'efficient', is: 'capable; competent; producing effect'. If one accepts, as the PC perhaps does, that costs and benefits may be environmental or social as well as economic, there appears to be little distinction between the meaning of effective and the meaning of efficient. One also needs to state key environmental, economic and social goals clearly at the outset of any study in order to see which market competitors have delivered them most cost-effectively (ie. efficiently).

The PC suggests that 'the primary purpose of the government's Restoring the Balance in the Murray Darling Basin program is to obtain water for the environment in a cost-effective manner' (p. 13). However, one again wonders why the PC gives little indication of the environmental, social, and economic goals that most appear to be in the public interest in the management of the Murray-Darling Basin, and what the related interest groups directly involved in the arena want. This must occur for policy making.

The Hilmer Report, which introduced national competition policy, defined competition as, '**striving or potential striving of two or more persons or organizations against one another for the same or related objects'** (1993, p.2). Hilmer saw competition as striving for goals which may be social or environmental as well as economic. This approach is consistent with the requirement for triple bottom line accounting ideally required by the United Nations. Competition requires regional consideration in linked and holistic national and regional contexts, which includes in the Murray Darling Basin. This is also necessary for sustainable development.

The earlier PC report of the Inquiry into Government Drought Support (2008) had many good recommendations. However, its focus did too little to prepare Australia for a greener future and for related carbon reduction and offset investment schemes to achieve it. According to that PC report (2008, p. 35) Australia is highly urbanised by international standards. In 1906 around 65% of the population lived outside the capital cities, falling to about 36% in the 1970s. This remains the situation. Between 2001-2006, the capital cities, some coastal regions, provincial centres and mining towns experienced population growth, whereas populations in most rural and remote areas declined. Australian agriculture is ideally planned and managed from within such regional contexts where land is understood and utilised in planned production to achieve the goals of sustainable development which are environmental, economic and social.

In this national context and in the Murray-Darling Basin, one wonders which crops and animal husbandry should be encouraged in such a dry continent and which should be discouraged, to achieve the goals of sustainable development most effectively. Mining and eco-tourism interests must also be considered in regional contexts where the total land matrix is utilised effectively for planned, competitive development. Waste management and communication to promote education, development and research also require discussion in related regional arenas. This submission calls for universal action based on such analyses. Related carbon trading and offset development also require consideration in the regional context of the land matrix, nationally and internationally.

Approximately 89 million hectares of land, or 11% of the continent is currently protected in some form. Since the 1960's, the development of the national reserve system in Australia has been based on the principles of comprehensiveness, adequateness and representativeness (CAR). These principles are directly related to the development of the Interim Biogeographic Regionalisation of Australia (IBRA) system, which divides Australia into 85 distinct biogeographic regions and 403 sub-regions. IBRA provides a scientific framework and tool to aid and evaluate the realization of the CAR principles in the development of the national reserve system. For example, the current goals of the national research system are to protect 80% of the ecosystems represented by both the IBRA regions and sub-regions by 2010-2015 (DEWHA 2008a). In the last decade however, the acquisition of land for the national reserve system has not met current targets (Sattler & Taylor 2008). The treatment of farming and mining in Australia should take account of the impacts of various forms of production on climate change and biodiversity. Government should also consider further acquisition of protected land.

Those concerned more with conservation than agriculture have suggested that 49 plants and 54 animals have become extinct across Australia, and more than 1000 plants species, 400 animal species, and 40 ecological communities, are currently under threat from many human-induced pressures and the impacts of pest species (Sattler & Taylor 2008). Some invasive weeds, other pests and their destruction of native vegetation on which fauna depends, may also be seen as problems by farmers and conservationists alike. Effective management of common threats within the landscape matrix is increasingly recognized as an important element in development of adaptive management strategies for protected areas, and conservation initiatives in general. In relation to climate change, the management of these threats, and the maintenance of high quality and well connected habitat are necessary to facilitate dispersal and establishment of species within new areas.

Recognition that species ranges are shifting, at least partly in response to climate change, has greatly increased consideration of the landscape matrix, in the conservation of biodiversity. The quality of the landscape matrix plays an important role in facilitating or preventing a species dispersal, survival and establishment. The landscape matrix, represents both potential habitat of varying quality and also a source of threats to species survival, persistence and migration. Production now requires related consideration.

For example, a history of land clearing, intense land use and modification has reduced the extent of natural vegetation on the east coast of Australia. Suitable habitat within the landscape matrix is often highly fragmented, posing barriers for species movement, migration and dispersal, and impeding genetic flow. The modification of hydrological systems, pollution and the introduction of grazing species have further degraded potential habitat in Australia. Disturbance of natural ecosystems, nutrient addition and the activity of grazing animals have facilitated the invasion of exotic plant species, which compete with native plants for resources.

It is recognized that synergies exist between all these factors and the pressure imposed by climate change, potentially makes the combined impact worse than the sum of the impact of individual factors. Production is ideally treated to achieve environmental,

economic and social aims in related regional land contexts, including in the Murray-Darling Basin.

Thank you for the opportunity to make this submission.

Yours truly

Carol O’Donnell,
NSW 2037.