

A PRIVATE SUBMISSION TO THE SENATE ENQUIRY INTO WATER LICENCES AND RIGHTS

Timothy S Miles PhD DSc

There is only one fair, rational and equitable way to deal with our ongoing crisis for the supply of irrigation water. That is, the federal government must compulsorily purchase, at a fair price, all current water allocations and entitlements for both surface (river) water and underground water. This should not be difficult legally, as this water is already owned by the various governments. Water would then be sold back to irrigators and other users at a fair price, by an independent government entity.

It has been argued that compulsory acquisition is unfair to irrigators who have invested heavily in infrastructure, or who have secured loans against the perceived value of their entitlements or licences. However, the sum realised by an irrigator for the sale of a entitlement/allocation might be set at an amount that would be sufficient for that person to purchase water from the Government at a fair price for, say, 7 years, thus justifying and amortising the cost of their expensive infrastructure. Similarly, a fair price paid for the compulsory acquisition of a licence would enable a licensee to repay loans made against that licence.

It is essential that users pay only for water that they use, rather than for an allocation, as now, to prevent speculators from pushing up the price of water by purchasing it for the sole purpose of trading it. Such speculative activity is strongly against the interests of agriculture generally.

The proposed market-based mechanism would give a strong incentive for all irrigators to use water as efficiently as possible. This is most certainly not the case at the moment. One only has to drive through any irrigation area on a windy, 35-degree day, to see water being sprayed into the air in a manner that ensures that most of it is wasted. Even worse, flood irrigation continues to be used widely in some areas which is scandalous. Members of the public who observe these practices cannot escape the conclusion that we not serious about managing water efficiently.

This mechanism can be administered without net cost to the taxpayer, as the funds outlaid by the government to purchase allocations could be reimbursed by the sale of the water to users.

Perhaps the clearest way to summarise is to point out that the present system of allocation treats irrigation water as *capital*, i.e., a (free!) allocation which adds to the value of the property to which the allocation is attached but does nothing to encourage efficient water use. There is little or nothing in the present system that encourages irrigators to use water efficiently. Efficient use can only be encouraged by replacing the *capital value* (an allocation) with a *consumption value* (user pays).

The guarantee or expectation of an entitlement in our current system has stifled innovation in efficient water use, and continues to do so. Furthermore, the current restrictions on entitlements/allocations and new irrigation projects are strong deterrents to new users with innovative ideas for efficient and different irrigated crops from entering the industry.

The solution is not difficult.

At a stroke, all issues relating to the current grossly unfair practices arising from different water policies in different States and jurisdictions, and the irrational practice of trading water rather than using it, would be eliminated.

It just requires political resolve and leadership.

Thank you for your consideration of this submission.

Timothy S Miles

Oct 9 / 2009.