National Water Reform Priorities:

Whose? When? Where? Why?

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What water reforms?

• reform of policies, legislation, market structure, admin practice or pricing systems?
• at the national, state or local level?
• what precise problems is water reform supposed to solve? and
• could or should “water” be reformed in isolation from other environmental assets or agricultural/industrial/domestic inputs?
Two central debates

urban pricing and governance reforms

rural water allocation and pricing reform

Despite a few common features and a few physical connections, these are fundamentally different debates, with different problems, rationales, stakeholders and solutions.
Objectives of Urban Water Reform?

• Efficient public investment in supply infrastructure
• Responsive and responsible governance
• Cost-reflective and scarcity-reflective pricing
• Avoidance of long periods of ‘emergency’ rationing and restrictions
Reform of pricing & governance for urban water?

States addressed their perceived problems with metro water supply, by large scale expensive engineering projects, rather than subtle pricing and governance reforms to better manage demand.
Do differences matter?

If Perth uses 2 Desal plants,
If NSW, Qld and Vic mothball their new desals,
If SA finds it infinitely cheaper to not invest in storages or desal, and has lowest retail water charges, because complaining about the Murray is so easy and effective,
If Hobart doesn’t have water meters and finances water supplies from rates
Commonwealth’s Role?

• Provide information – a smorgasbord of options – to the states and capitals

But not

• Impose uniform standard governance and pricing system across all metros in Aust.

*How each capital city supplies reticulated water and sets charges for it, is up to them and their state governments*
Objectives in Rural Water Reform?

Remarkable consensus on ‘Big Picture’
- most Australians want to see:
  Sustainable working river systems (rivers, riparian and floodplains);
  World-class, internationally competitive, viable, sustainable agriculture; and
  Resilient, prosperous, dynamic communities
Challenge?

Is it possible to move from current situation to towards the ‘ideal’ JUST through water reforms?
Which reforms, in what sequence, will get us there? Uniform nationally, or state by state?
What co-requisites, across social, economic and environmental policy?
Huge reforms already

- Separation of land and water title;
- Harmonising state Registers of water entitlements;
- Intra- and inter-state trade in allocations and in entitlements;
- Corporatisation & privatisation of some bulk water suppliers;
- Commitment (in principle) to full cost recovery.
Commonwealth’s Role

• **Trans-boundary environmental externalities** (eg QLD/NSW Narran lakes, lower Murray) but very minor outside of MDB (Lake Eyre, GAB, Ord)

• **Competition Policy** – irrigators in one state should not receive hidden subsidies on water inputs, *vis a vis* competing producers elsewhere - also very minor outside of MDB
the $13 billion MDB question?

Will the current suite of measures enable or help the transition from status quo to the ESD ideal, and help keep the MDB in that happy state?

Is the strategy complete (i.e. are all the necessary ingredients present, in the right proportions and in the right order)?
“Wicked Problems”

Combine a high degree of each of these attributes:

– Complexity, sub-systems, interdependencies…
– Uncertainty, risks, ignorance…
– Divergence, multiple stakeholders, confused and/or contested objectives, fundamentally different values systems
– Importance, high stakes
Solving Wicked Problems?

- Where to begin? No obvious solutions
- Governments usually attempt “crash or crash through” - a king hit
- These almost invariably fail
- But there are alternatives that could work
- These are usually slower, participatory, deliberative, adaptive management which gives local ownership and empowerment.
What’s wrong with the MDB Strategy?

1. Trying to achieve complex ESD objectives using just a single policy instrument
   • How much water can be extracted from each river, either as ML/year or as % of long term average flows
despite everyone knowing that other factors (eg land use; groundwater extraction, watering duration, frequency, seasonality etc) are crucial, even just to meet the environmental objective, let alone the social and economic objectives.
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2. Trying to run everything from Canberra, despite: great diversity between valleys; profound ignorance of ecological responses, groundwater, salinity etc; and local knowledge and local ownership of “solutions” is critical for success.
It’s wicked!

How any specific ecological asset will react to an additional volume of water is extremely complex (condition, history, duration, frequency, time quality). The effects on different target genera (frogs, birds, trees, fish etc) probably varies in each context. The values that society attaches to those ecological outcomes are unknown and unlikely to be estimated with any confidence.
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The values that society attaches to those (or other!!!) ecological outcomes are unknown and unlikely to be estimated with any confidence.

Therefore, I conclude that an “ideal” watering regime must be locally adaptive and cannot be prescribed, years in advance, from Canberra.
Whose problem is it, and who has the ability to resolve it?

Commonwealth claimed “ownership” under 2007 Turnbull “grand strategy”
despite States having the constitutional responsibility, the expertise, staffing, history, data
And their subsidiaries (CMAs and Local Government) having critical roles & expertise.
Basin States now absolved from responsibility for the situation they created, and free to obstruct/impede or ignore reforms (which they all do with impunity).
Whose problem is it, and who has the ability to resolve it?  

Local communities, industry, and environmental groups have much relevant experience and knowledge,  

And they will wear the consequences of the Grand Strategy,  

but now are very effectively excluded.
An Alternate Path Forward for Rural Water Reform

• Engage all stakeholders seriously;
• Tap into local knowledge instead of dismissing it;
• Decentralise, recognising that every valley is different and environmental watering demands of every priority wetland are extremely complex, generally poorly understood and possibly unique;
• Redesign institutions to integrate water, land-use, environment (eg CMAs<>Local Gov) and empower grass-roots adaptive management, within a broad indicative (not prescriptive) Basin-wide framework.
Conclusions (Urban AND rural)

• allowing for the diversity of problems and potential solutions will be more effective than a uniform lock-step national water policy;
• diversified solutions will need to be locally devised, consistent with national *Principles*, (but not a rigid template); and
• auditing of performance and promotion of known best practices to continuously improve national guidelines, and ensure consistency and compliance with them.