

Email

15 May 2005 4:43PM

To: ipart@ipart.nsw.gov.au

Subject: Inquiry into Bulk Water Pricing.

Dear Sirs/Mesdames,

I make the following submission to your inquiry into the pricing of water in NSW.

I wrote the following letter to Craig Knowles (pasted below). I received the reply from Peter Sutherland pasted below that.

Is it just me or did Peter Sutherland avoid answering the substantive issues?

I note that a licence for "A Class" access to water in the Bega Sands was advertised recently for \$500 per megalitre. This is a big jump from the \$20 to \$40 per megaliter paid by irrigators to DLWC just a few years ago.

While some of the facts in my letter to Craig Knowles may be a bit inaccurate (you have to subtract ET and other transmission losses), the substantive point,(that the irrigators have been given a positional good at no cost, before environmental requirements have been determined, and that the future value of water access will make it prohibitively expensive for governments to remediate this situation,)still stands.

I suggest that this windfall be taken into account when determining the annual license fee that should be charged.

Yours faithfully

Michael S Harewood

Open Letter to Craig Knowles  
Minister for Natural Resources, Infrastructure and Planning.

Dear Mr. Knowles,

It is with great dismay that I write to you concerning your recent decision to support the conversion of water licenses to perpetual rights.

I have participated in the water reform process, as a conservation interest representative on the South Coast Water Management Committee, on the understanding that all parties accepted the principal of adaptive management. That is, if and when new evidence of the effect of water extraction and use on river health showed that a reduction in water extraction is justified, this would be done. Now that you have made water licenses a compensable right, this is unlikely to happen due to budgetary constraints on the part of governments.

I remind you that Professor Peter Cullen, former head of the Cooperative Research Center for Freshwater Ecology, has said that, in rivers where more than a third of median annual flows are extracted, there is likely to be a significant detrimental effect on river health. I note that about 85% of the flows in the Murray Darling basin are currently extracted, including about 98% of the flows in the Murrumbidgee. The return of 3% of flows is pathetic tokenism.

Driving across the Hay plain recently, I observed vast 2 to 3 meter tall crops of corn grown under flood irrigation in semi-desert. This is lunacy.

Your recent ministerial statement asserts that perpetual rights are necessary to enable investment in improved water use efficiency. This is nonsense. All that is necessary to improve water use efficiency is to increase the price. Your government has never achieved full cost recovery for delivery of water services, let alone charged a fair price for water.

Moreover, any improvements in water use efficiency will not result in more water being left in river because irrigators can simply use the water saving per hectare to increase the area of cropping-the NSW Government decided that some years ago.

Turning water licenses into perpetual rights has given "positional goods" to license holders at no cost. Max Walsh, writing in the Sydney Morning Herald, contrasted material goods with positional goods.

Material goods are things like cars, washing machines and hamburgers. If you increase the demand, the supply will increase so the price doesn't go up much. However positional goods are things like harbor-front land or the artworks of dead masters- the supply cannot increase with demand so the price goes up at a much faster rate than inflation.

We cannot make it rain and pretty- well every dam west of the divide that made economic sense (plus many that never did) has been built. Water entitlements will now inflate in price at a rate that will make it too expensive for governments to constrain water extraction to ecologically sustainable limits in the future.

Whatever were you thinking of?

Yours in despair  
Mick Harewood  
29 June 2004

Department of Infrastructure, Planning and Natural Resources

Dear Mr Harewood

I refer to your letter to the Minister for Infrastructure and Planning, and Minister for Natural Resources concerning the grant of perpetual water access licences. The Minister has asked me to reply on his behalf.

The principle of perpetual water access licences is now an agreed Council of Australian Governments (COAG) approach. Under the approach, licence holders will have more certainty and confidence in business planning and investment. However, the introduction of perpetual access licences will not diminish the Government's capacity to manage water resources sustainably. The way in which water is used on land and the building of works to obtain water are governed by the water use and works approvals as set out in the Water Management Act. The Water Sharing Plans will protect rivers and aquifers and the Government will still be able to place appropriate environmental controls on the extraction and use of water.

Consistent with the COAG approach, most licence holders in NSW, in water systems covered by Water Sharing Plans, had their licence converted from a 5 year tenure to a perpetual term on 1 July 2004. These include most forms of commercial access. However there are some other categories of licences that are not perpetual. These include supplementary access licences on regulated rivers and some special purpose licences such as major utility access licences and local water utility licences which are used to provide essential services to townships and urban centres. These licences will continue as long as the purpose remains.

Perpetual water access licences provide a secure share in the water that is made available for extraction based on the rules of a Water Sharing Plan. They do not guarantee access to a particular volume of water at any point in time. The amount of water available in any allocation period will vary depending on:

the amount of water in the water source as affected by climate, land use change, increases in water efficiency and the nature of water use in interconnected bodies of water; the individual pools of water available in each category of entitlement as per the rules of the Water Sharing Plans; and the entitlement holder's share in a pool of available water as specified by the access share entitlements which they hold.

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It should be emphasised that although the previous water licences issued under the Water Act 1912 only had a duration of 5 years, there was always an expectation that they would be renewed. In essence, therefore, granting of perpetual water access licences formalises what was already understood to be standard procedure.

I trust this information is of assistance to you.

Yours sincerely  
Peter Sutherland.  
Deputy Director General, 1/09/04