

Book review

Water Policy in Australia: The Impact of Change and Uncertainty, edited by Lin Crase. Published by Resources for the Future, Washington DC, USA, pp. xi + 268, ISBN 978-1-933115-58-0 (hdbk). US\$70.00

Several years ago, Ariel Dinar convinced Resources for the Future to commission a series of books on water policy experiences in countries around the world. The first two books in this series describe experience in Arizona and Jordan. Lin Crase's edited book on *Water Policy in Australia* is the third in the series. The world is hungry for books like this one. Globally, Australia is seen as a nation that is trying, albeit with some difficulty, to use market mechanisms to solve water management and water allocation problems. The book is about the mistakes Australia has made and the lessons it has learned. It's worth reading.

Crase's final chapter on lessons from Australian water reform warns that it is important to pay very careful attention when assigning property rights to water. When you get it right, there is significant pay-offs but property-right assignment is no easy task. There is devil in the detail and Australia has made many mistakes.

Water Policy in Australia contains 16 chapters. Early in the book, there is a really useful summary of the history of water resources development by Warren Musgrave. All those brave enough to delve into water policy should read this chapter.

Jenny McLeod and George Warne's chapter on Murray Irrigation's experience is another gem. George Warne is one of Australia's most experienced irrigation-system managers and Jenny one of our most experienced stakeholder managers. The result is a chapter that offers some rare insights into the business of coping with reform from the perspective of a real practitioner. Warne and McLeod conclude that 'the pace of reform shows no signs of slowing and the irrigation sector is unlikely to avoid the costs of future policy changes'. On the positive side, they conclude that 'the devolution of managerial responsibility to irrigator shareholders has realised significant benefits'.

Another chapter really worth reading is that by Ronlyn Duncan and Aynsley Kellow on hydro-electricity. Amongst other things, Duncan and Kellow warn that when legislation, decisions and world views fail to account for the possibility of change they can seriously undermine the capacity of managers 'to act when things have clearly gone awry'.

In my opinion, the award for the best statement in the book can be found in Hillman's chapter on the ecological requirements of water-dependent ecosystems. In true style, Hillman observes that '... the longest period between ... flow events under natural conditions was four years whereas, under current

conditions of management and diversion, that maximum has extended out to fourteen years – bad news for birds that live for seven to ten years!’

In the chapter by Case and Dollery on water trading, there is criticism of a review of the first 2 years of the pilot interstate water trading trial which involved 50 trades. As I led the review team, I am familiar with this report. As we observed, all but 0.4% of this water was not being used before it was traded and once traded nearly all of it went to state of the art irrigation and was activated (Young *et al.* 2000). Crase and Dollery criticise us for not pointing out in loud enough terms that this water activation diminished the value of existing entitlements licences. I think we did. On page 23 of our report, we state that ‘the impact of this loss, when spread across all irrigators, is likely to be unmeasurable’. At the time, inter-state trading involved less than 1% of all trades in the southern system. The total volume traded was around 14 GL. Sleeper activation was an issue that need to be addressed but it needed to be addressed by each state administration. Our terms of reference excluded us from looking at the 99% of trades that were occurring within states. We did not think it a reason to stop a pilot interstate trial.

Further on in the book, John Rolfe makes some interesting observations about the Coase-Posner view that the property rights should be expected to evolve and the Coase-Buchan view that property rights should be seen as fixed or, to use Quiggan’s (2001) word, inviolate. More research on this issue would assist other countries as they seek to learn from Australia’s mistakes in the development of water markets. As Syme and Nancarrow say in their chapter on social and cultural aspects ‘... there is a case for greater consideration of fairness’.

In summary, Lin Crase has produced a nice collection of material that will help all to understand how not to manage water resources. Left for the future is a highly prescriptive book on what Australia should have done – with the wisdom of hindsight.

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References

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