

Peer Review by Professor R. Quentin Grafton of UniSA's Economic Analysis Report of the Singleton Horticulture Project

March 1 (updated 7 July) 2022

The authors of the report have undertaken a hydrological-economic review of the costs and benefits of the proposed Singleton Horticultural Projects, south of Tennant Creek in the Northern Territory (NT). This planned development would be based on access to and extraction of up to 40,000 million litres per year of 'free' groundwater over a thirty-year period.

Business Case

The business case for the Singleton Horticultural Projects rests on access to the groundwater in the form of a licence from the NT government. The authors have used alternative water entitlement prices from other locations to estimate the implicit subsidy to the Singleton Horticultural Projects.

In my judgement, given the lack of any other water source for this project, a reasonable estimate of the market value of this water is likely to be in the higher end, or some \$6,710 per million litres. At this market value, the implicit subsidy to Singleton Horticultural Projects could be in the order of \$250 million. As a consequence of this subsidy, the NT government - the legal owner of the groundwater, will forgo this revenue that could be used for worthy purposes and, instead, it will accrue to a private enterprise rather than the 'public purse'.

Implicit Subsidy

It appears the primary justification for the large implicit subsidy to the Singleton Horticultural Projects is to generate local employment. Much of this employment would occur at harvest times. As the authors of the report note: "The Northern Territory Farmers Association report that in 2019 only 11% of total horticultural labour was supplied locally. Overseas workers represented 63% of total labour, particularly during the harvest season, and the remaining 28% was supplied from interstate workers." What the actual local additional employment with the development would be impossible to know with certainty in 2022 but it would seem highly unlikely to be more than a few dozen FTEs.

Accountability

In September 2021, the NT Department of Parks, Environment and Water Security prepared a public report entitled ['Northern Territory Strategic Water Plan: Directions Paper'](#). One of the espoused principles in the Directions paper is: "Fair and Accountable - Decisions will be based on clear roles, responsibilities and processes. Decisions will maximise public benefits, recognising that water has social, economic, cultural and environmental, as well as intrinsic values.". In my view, providing an implicit subsidy of the order of \$250 million to a commercial enterprise in the form of 'free' water, does not satisfy this key principle.

Importantly, the NT Government is a signatory to the [National Water Initiative \(NWI\)](#). In paragraph 65 of the NWI, Australian governments (including the NT Government) agreed to; "full cost recovery for water services to ensure business viability and avoid monopoly rents, including recovery of environmental externalities, where feasible and practical" and in paragraph 66; "full cost recovery for all rural surface and groundwater based systems". In paragraph 72, the NWI further states that in the provision of unallocated water it should: "To the extent practicable, releases should occur through market-based mechanisms" The only exception to the 'user-pay principle' is in relation to community services obligations but that does *not* apply in this case as the benefits accrue to a commercial operation and is *not* the provision of water to a community.

Free, Prior and Informed Consent of First Nations

It would also seem that there has not been ['free, prior and informed consent'](#) (FPIC) in relation to all the First Nations communities that may be affected by the development and the groundwater extractions. This is contrary to both the [Aboriginal and Torres Strait Islander Studies \(AIATSIS\) Code of Ethics](#) and the [United Nations Declaration on the Rights of Indigenous Peoples](#) (UNDRIP). It is also contrary to a key finding of The Productivity Commission (2020, p. 13) ['National Water Reform Inquiry'](#)

that: “Much more needs to be done to include Traditional Owners’ interests in water in jurisdictional planning and the management of water.”

Summary

I concur with the authors of the report that the business case of providing a large subsidy of ‘free’ water to Singleton Horticultural Projects is not justified from either a public interest or a cost-benefit perspective. Nor does it support water justice. These is because:

- (1) An implicit subsidy in the order of \$250 million in the form of ‘free’ groundwater to a commercial enterprise does *not* maximise public benefits, and is contrary to the National Water Initiative to which the NT Government is a signatory;
- (2) It fails to adequately consider the consequences of social, economic, cultural and environmental values associated with large groundwater extractions over a thirty-year period. Thus, it also does not meet the NT government’s own guidelines in relation to water security; and
- (3) It is inconsistent with free, prior and informed consent of First Nations communities in the vicinity of the proposed groundwater extraction. Thus, it is contrary to the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).