

Welcome to Barham by Mayor of Wakool Shire
Cr. Ken Trewin
21st September 2006

I would like to welcome you all here to Barham for the Conference of the Murray Darling Association.

The agenda for this conference highlights the critical role the river plays in all of our lives and in the economy of the whole country. The present drought is also highlighting the problems with the river is managed. Unless there is a remarkable change in the weather we are heading into crisis in the rural economy in the Murray Darling Basin. The crisis will be made much worse by the way the river is currently being managed.

This crisis will show how much we need to change the way the Murray Darling catchment is managed. We are experiencing the sixth year of what is looking more and more like a one in a hundred year drought. At the same time right outside this venue here on the banks of the Murray River water is flowing past as if there were no drought. A large part of the water in the storages in the upper reaches is now flowing to the coast under the Tri-State Agreement, to be lost in large part as evaporation and artificial environmental flows.

This water is save water it is not natural flow. Right now, under natural conditions the river below Albury would be nearly dry and would remain that way right to the coast one thousand kilometres downstream.

This saved water is being squandered to maintain completely artificial environmental conditions through out all of the lower reaches of the river. The amount of water required to create this artificial environment is enough to irrigate anywhere up to 250,000 hectares. This pasture may well be desperately needed by the end of summer.

The priority given to these artificial flows is also completely contrary to the original reason for building the storages in the upper catchment. The storage was designed to maximise irrigation use of the water in the Murray Darling system and to ensure that rural industry was relatively secure against drought.

Now when we need this protection most it has failed us. It has failed not because of a lack of water it has failed because of a lack of a competent river management strategy. This is a political failure of the worst kind and shows the flaws in our system of State and Federal Government.

There needs to be some radically new thinking regarding the way the whole river is managed. It is in the National interest that the Murray River as an integrated whole. It is a National resource, not one owned in part by each State. It must be managed on the basis of sound science and sound economics not by history myth and emotion.

The River also needs to be managed as an ecosystem that naturally runs dry occasionally. It has done this for millennia under natural conditions, it would be doing so now, and would continue to do so if it weren't for the irrigation storages.

Market failure

The water market is a failure. It is a failure because it does not capture the full cost of water transfers.

Murray Irrigators "Exit fee" must be supported and defended. It should be defended because it ensures that at least a part of the legacy costs associated with the transfer of water is protected. However it is not just the Murray Irrigation infrastructure that will be left with under utilised infrastructure, struggling business and school and hospital closures.

The opponents of exit fees either have no understanding of even the most basic principles of resource economics or they are running a deliberate agenda to strip assets from rural communities. Either way their activities must be opposed by rural communities before they bring social and economic disaster to the region.

Water use has a major flow-on effect to the wider economy. As water is transferred out of a district or region the total economic activity drops and the wider infrastructure and economy shrinks. These losses will rapidly reach a point where widespread social and economic collapse occurs. This cost is not met by the water buyers but by the wider economy. This is disastrous for the communities affected by it and hugely inefficient for the whole community.

Exit fees must be imposed if permanent water transfers are to be permitted. The reason for this that irrigation systems are fixed assets with a very high capital value associated with the use of water. These assets also have high maintenance costs. These maintenance costs are proportionate to the size of the asset maintained not to the volume of water transported by them. As the water volume in any one channel system is reduced the cost per unit of water increases to the point where the whole system becomes uneconomic to operate.

Water rationing and crisis planning

The way the water is managed in very dry years also needs to be reconsidered. The current water market does not ration water effectively for maintaining the value of the rural economy in the long run. The best price in the short run may not reflect the best return in the long run.

Water value should not be determined by the best return on any crop in any one year, it must be determined by the long run productivity of the whole economy supported by irrigation. Resilience and diversity have value also but these can not be easily priced in the short term.

Because of this fundamental market failure, water trading presents a high risk to the rural economy.

The value of water is also measured by its value on the water market where as its value should be measured in the product it creates and to the multiplier that product has over the whole economy. Each gegalitre not used for farming reduces the size of the rural economy by at least \$1.5m.

Water trading

The risk of permanent loss of water from the Shire during the drought represents a huge threat to the future viability of the community within Wakool Shire. It also represents a risk to all communities across the whole of the irrigation region of the Murray Darling basin.

This risk illustrated by the impact of water trading in the last drought on the economy of Gannawarra Shire our neighbour across the river in Victoria. The dairy industry there contracted severely during the last drought when the water was permanently moved out of the district. This loss to the economy destroyed a huge value in related business and property values. This loss of capital value and economic activity is likely to have far exceeded the market value of the water that moved from the Shire.

Improving the efficiency of water use

There needs to be a better policy for managing water more efficiently.

Minimum environmental flows

In years when the inflows to the storages is below average the environmental use of stored water should be limited to maintaining the natural minimum flow that would have occurred that year.

Reduce transmission and storage losses

The impact of water transmission losses needs also to be attributed more accurately than at present. Sending water for miles down channels where a great part of it is lost filling channels and through soakage or evaporation is not justifiable in years as dry as this. We need to develop strategies that ensure maximum productivity for the available water. In water short years the irrigated areas need to be allowed to dry out from the margins. These areas where water is used less efficiently or where supply is less reliable should be dried out. Compensation strategies need to be built into the cost of the water for those land owners in areas that are “dried out”.

Crisis management planning

At times like this a crisis management plan is required not a water market. At present there is no effective strategic vision for the river that ensures maximum water usability, maximum economic security and proper environmental management during drought.

So as we welcome you to this conference in the heart of the irrigated country in the Murray catchment we must be aware that this drought could be a defining point in the history of the river and the irrigated rural economy it supports.

The flawed processes that are in place for managing this precious resource will make the economic and social impacts of this drought for worse than they need have been.

I would ask you over the next few days to contemplate the urgent need for courageous reform of the Tri-State Agreement, the Water Market, and the whole process of allocating water particularly to environmental flows. The present management process is not achieving wise use of water for the rural communities dependent on the river, for the environment, or for the national economy. It is time for change, for fresh ideas and new ways of doing things.

Please take up the challenge of initiating a change for the better at this meeting and I hope it makes your stay here in Barham all the more interesting and worthwhile.

I wish the Murray darling association a successful conference.

Thank you
Ken Trewin
Mayor Wakool Shire
21 September 2006