

Creating wealth from our water

John Langford, John Briscoe and Michael Porter | [The Australian](#) | November 01, 2010 12:00AM

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It may surprise you to know that for Australia, the worldwide water situation is an opportunity more than a crisis.

Unlike most of our food exporting competitors, our major population centres are largely coastal and have water insurance in terms of desalination plants. So our food bowls need not be drained by the cities and can implement a wide range of productivity enhancements. Hence, water is not a rigid constraint on either our population or our production.

Our relative situation has been helped by innovations such as trading of water rights, pricing reforms, and the development of water grids. And the relative price of food is likely to rise more than these costs, creating advantages for agricultural exports.

The main cause of the tension over Murray Darling Basin water rights is the decade-long drought. The heat generated by the release of the guide to the basin plan is the darkness before dawn. It is possible to find a new equilibrium of a healthy irrigation economy and a healthy river.

Providing food security for the growing and increasingly prosperous populations of Asia is an opportunity for irrigators. Australia's adaptable farmers, used to living with the vagaries of climate and subsidised international commodity markets, are a great national asset. The foundation provided by Australia's internationally recognised record of water reform is another vital asset.

But Australia's irrigation sector has lead in its saddle bags. It lacks leadership at the government, commodity and farm level. It speaks with divergent voices and ignores key parties.

Modernising irrigation infrastructure has started but much remains to be done. Poor telecommunications in the bush are impeding the introduction of modern wireless networks for precision irrigation. Seventy per cent of irrigation water in the basin is still applied using flood irrigation, much of it inefficiently.

A large proportion of irrigation water is applied to cereal crops (other than rice) and pastures (for producing meat and wool) that generate 5 per cent of the economic value from 27 per cent of the water. In contrast, vegetables, fruits, nuts and dairy generate 68 per cent of the value from 31 per cent of the water.

Improving environmental quality should build on the lessons of market-based water reform. This means exploring ways in which trades between environmental water-holders and irrigators can be used to produce different mixes of environmental and social outcomes.

A basin-wide strategy including investment in emerging commodity markets, physical and communication infrastructure, skills, research and further water policy reform is required to revitalise irrigation.

The 200km long black water incident in the Wakool River, a major tributary of the Murray in southwestern NSW, with images of dead fish and distressed farmers unable to provide stock water is a timely reminder that river health is vital for all the communities dependent on the water resources of the basin. For too long the environment was treated as a residual, after irrigation had taken what it wanted. The Water Act of 2007, supported by both the Howard and

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Rudd governments, turned this paradigm on its head, giving priority to the environment and letting farmers make do with what was left.

Only weeks after the publication of the draft basin plan, three things are now clear. First, an acceptable strategy cannot be an either-or, but a solution that will improve environmental outcomes while also improving the lives of farmers.

Second, that the idea that "science will tell us the answer" is flawed, both because of the limitations of ecological knowledge, and because balancing competing needs is a political and not a scientific question.

Third, solutions cannot be devised behind closed doors and must actively engage both the environmental and the rural communities.

For the past three years the 600 members of the Committee for the Economic Development of Australia have consistently voted for "water reform" as the number one challenge facing the country. Responding to this perception, CEDA has entered into a partnership with the University of Melbourne, Monash University and Harvard University to explore options for putting water management on to a productive, sustainable path. During the first two weeks of November we will hold meetings in Sydney (Nov 3), Melbourne (Nov 4), Brisbane Nov 9 and Adelaide (Nov 10 and 11).

This Australian water project, a CEDA-Harvard-Uniwater initiative, sees water as an area of comparative advantage for Australia, both in terms of exporting from an expanded food sector and in terms of transferring technology abroad. But farmers will often need assistance to adjust, to make irrigation more efficient, which is why waste in other areas of the budget might well be directed to assisting communities to adapt.

We have no illusions that our effort will "solve" the problem, and we realise that others including the MDBA, the NWC and CSIRO have done enormous amounts of fundamental and applied work. But we do believe that by taking an approach "which walks on two legs", which seeks to build on the extraordinary achievements of water management in Australia in the past 20 years, and which seeks to engage all with a stake in this issue, we can contribute to meeting the goals of revitalising irrigation, restoring rivers, eco-systems and regions.

As Australia builds an expensive but desirable portfolio approach to water - separating water rights and facilitating trades, desalination plants to create water insurance for coastal cities, recycling and aquifer recharge strategies - we need to focus on those communities who have created wealth from water in the past, and enable them to continue to do so in the future.

The really good news is that down the track Australia can out-compete many other countries on food and water-intensive products. Because our cities are mainly coastal, metropolitan water is unlimited, at a price. That's a genuine "sea-change" brought on by newly efficient membrane and related technologies.

*Professor John Briscoe, Harvard University is former head of Water at the World Bank.
Professor John Langford, Uniwater is former head of the Rural Water Commission. Dr Michael Porter is national director, CEDA Research and Policy.*

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JohnM Posted at 10:29 AM November 01, 2010

"A large proportion of irrigation water is applied to cereal crops (other than rice) ..." Really? I grew up on a farm and no-one irrigated wheat, oats or barley so what cereal crops is this report talking about?

Graeme Pyle of Berrigan Posted at 10:20 AM November 01, 2010

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Hey Professors, You might want to investigate the black water incident a little closer. You will find that there was plenty of water available for the Wakool River before the incident. The management of that water was the problem. Its all very well blaming irrigators for using the water, though in this case it was missmanaged by the environmentalists who claim to know what they are doing. . If people are going to mimick the river flows with our precious water at least do it properly.This was a sad day for the environment managers(MDBA),I bet they all still have their jobs.Pity about the fish Professor!Check your facts

Basin Pulse of BasinPulse Posted at 10:01 AM November 01, 2010

Underlining this excellent opinion piece is the fundamental need for a better connection between people and government reform processes. This is an area which requires innovation from government and the community. The independent Basin Pulse initiative is designed to help bridge this gap in the Murray-Darling process by developing mutual understanding. Early research we conducted in June found an underlying and robust consensus on the need for change across the Basin community as well as fear of the downsides and risks of change that are now apparent in public debate (more results at www.basinpulse.com.au). We have more research underway to map shifts in perspective during the reform process. Change is an emotional process and we expect that community perspectives will reflect this over the next few years. As a community we need to look beyond immediate problems to what the future might look like for the Basin. I hope the work by CEDA will enunciate the opportunities that reform might bring. Balancing this information with the challenges of today will help people most affected by water reform to properly assess personal impacts/opportunities and make the best decisions over time.

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