

## 2005 Water Management Conference

### Narrabri

Key Note Address – Speech Notes

Thursday 1 September 2005

#### **The Hon. John Anderson MP Federal Member for Gwydir**

I speak not only as a Federal politician and legislator, but also as a farmer who is passionate about the sustainable management of Australia's natural resources. Nothing is of more concern to me than exercising an appropriate custodianship over the natural resources I use, so they are there for future generations: my children and their children.

The vast majority of farmers feel the same way. We are the people who put our money on the line to create a quarter of Australia's export income. We have a direct and personal stake in the health of our natural resources.

Australia's previous approach to water management was based on ignoring these simple truths. It was based on the conceit that wise bureaucrats could make decisions better than the men and women whose lives were directly affected.

It was, of course, the same conceit -- on an infinitely grimmer scale -- that drove central planning in Eastern Europe and the Soviet Union. It's striking how the failure of our water management system reflects, in miniature, the dire problems that affected every aspect of life in those countries.

We know, from history, that ownership and certainty are the keys to securing higher levels of production, investment and good environmental outcomes.

About 50 percent of the Soviet Union's agricultural production came from the 10 percent of the farm sector that was privately controlled by individual farmers with a stake in their own future. Their productivity was vastly higher than the collectives that made up the rest of the sector.

Here in Australia, the BTRE has pointed out that investment in irrigated agriculture is more than three times higher in areas where there is a high level of water security.

You can draw the same conclusion from both cases: you have to let people make their own decisions. The best role that governments can play is to provide them with a legal and regulatory framework that provides them with as much certainty as possible.

The National Water Initiative is based on this principle. Governments, farmers, scientists and environmentalists have developed an understanding that the best way to deal with

Australia's water issues is to provide farmers with investment certainty and strong entitlements to a sustainable amount of water.

It's an important achievement. For many years, the prevailing view amongst ecologists was the idea that government planning was the only way of dealing with environmental problems. Curiously, this idea even survived the news that central planning had transformed the Aral Sea from the fourth largest lake in the world to a toxic plain littered with the remains of fishing boats.

I want to underline briefly the major benefits of the reforms that will follow from the National Water Initiative:

The initiative will establish more secure entitlements for water, which will provide investment certainty for water users and the financial sector.

It will provide for transparent, inclusive and comprehensive water planning.

It will create the systems, rules and registers that are needed to support a higher amount of water trading, with full trading by 2014. Water trading is critically important to the success of the initiative, because it will enable individual water users to make decisions about the best way of using their entitlements.

The great advantage of a liquid market is that the prices in the market encapsulate an enormous amount of information.

The price of water will be no different. In an efficient market, it will summarise the costs and expectations of a large number of water users. It will give them the information they need to decide whether to buy water or possibly change what they grow and sell the water they no longer need.

The alternative that some people have proposed is for public servants or governments to make those decisions, and say: 'you can grow rice, you can grow cotton, and you can grow something else.'

As a policy option, it's both unfair and inefficient -- because they simply would not have the same level of knowledge about the supply and demand for water as the participants in a market.

The initiative will also deal with the existing over-allocation of water entitlements. The states will have to consult with affected water users and provide adjustment assistance if necessary. Under the agreement's risk sharing principles, governments will then have to bear the full cost of entitlement reductions that are the result of policy changes, such as new environmental objectives.

The Australian Government, for our part, is pressing ahead with the sustainable water reforms in the initiative, by establishing the \$2 billion Australian Government Water Fund.

In developing the fund, we have recognised that progress needs to be made at several different levels -- so there are three funding streams.

First, we will invest \$1.6 billion over five years in the Water Smart Australia stream, to accelerate the uptake of smart technologies and practices in water use across Australia.

The Government will be looking to make sure that the proposals are consistent with the National Water Initiative. The state and territory governments that have signed up to the initiative will be eligible to make bids, as well as local authorities and private proponents.

The second component of the Australian Government Water Fund will see the investment of \$200 million in the Raising National Water Standards programme.

The programme will lift Australia's national capacity to measure, monitor and manage water resources over the long term. Our investment under this component will support:

- The development of a nationally consistent water accounting system;
- The strategic assessment of groundwater resources;
- The conservation of high value water systems that are of high environmental value; and
- The national water efficiency labelling scheme.

The third component is the Australian Government Water Fund Community Water Grants, which will invest \$200 million over five years to reward a culture of wise water use.

We will be providing community organisations with grants of up to \$50,000 to deliver on-the-ground projects that increase water use efficiency, improve the health of our rivers and aquifers and improve the community's knowledge about saving water.

I want to conclude by talking briefly about the National Water Commission, which we have established as an independent statutory authority.

The Commission will be the key institutional champion for the National Water Initiative within the Government. It will have the vital role of helping governments focus on achieving the timetable set out in the initiative, in a world where the immediately urgent can sometimes crowd out the important.

The Chairman of the Commission, Ken Matthews, will be speaking to you later this morning. He will provide you with more detail on the Commission's role, together with the administration of the Water Fund.

One of the Commission's two key roles is to assess the states' performance in implementing the commitments under the initiative and provide advice to COAG based on its assessments. It includes conducting the scheduled 2005 assessment of commitments under the National Competition Policy water reforms.

The Commission's second critical role is to administer the Water Smart Australia and Raising National Water Standards components of the Australian Government Water Fund. It will make recommendations on projects put forward under the fund for the Government's final decision.

The Government's intention is that by combining these two complementary roles, the National Water Commission will have a critical role in improving water use and management in Australia.

In conclusion, the National Water Initiative is a comprehensive national framework for managing Australia's water resources. It will work, because it is based on the same idea that has created untold wealth and prosperity for billions of people: investment certainty.

The initiative will be fully implemented by 2014. By then, we can hope to have achieved:

- Fully functioning water markets;
- More efficient and productive water use in agriculture, industry and our homes;  
and
- More sustainable use of our great rivers and groundwater systems.

It will be difficult at times, it will be costly, but the National Water Initiative will be the great contribution that our generation of politicians, industry leaders and above all farmers will make to Australia's future.