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For a combination of reasons – most notably the drought – water is now firmly on the national agenda. It's front-page news on an almost daily basis.

Yes, there is a water crisis facing Australia. But it's not an overall shortage of water resources that's caused it. In fact given our small population we actually have quite a lot of water per head.

Our water crisis arises from our failure to make better use of the water resources we have. As Australians we've long been aware of the unique challenges facing this country when it comes to our water resources. But historically we haven't done enough about it.

It reminds me of the Mark Twain quote about the weather. Twain said the problem with the weather was that while everybody talked about it, nobody actually did anything about it.

But right now ladies and gentlemen, we have an ideal opportunity to do something about it.

As some of you know, I've been calling for a national water policy and for the Federal Government to take up water as a nation-building, future-securing exercise. I'm very pleased to say that both State and Federal Governments are getting the message that Australians are demanding action on water.

As I said earlier this is due largely to the drought and the efforts of people like the Farmhand and Wentworth Groups and others. Some steps have already been taken, and I'm hopeful that we'll see some major initiatives soon.

There've been many different views put forward about what we should be doing. For my part I've been calling for a national program to pipe – or line and cover – open irrigation channels. This would help to eliminate losses from evaporation and seepage which can range from 20% to 80% or more, depending on the system.

I've suggested that this project might be funded by the government issuing special water bonds our superannuation funds could invest in. That would raise billions of dollars which the government would make available to the various water authorities to carry out the work. But advocating an extension of the government bond market is not exactly a popular view right now – especially in Peter Costello's office.

However, I firmly believe that getting our national water infrastructure right is such an important long-term issue for this country that the government must show nation-building leadership on it. And in the debate about the sell down of Telstra it's worth noting that an efficient rural and regional telecommunications infrastructure would never have been built if it had been left to private enterprise all those years ago. In the same way, a modern and efficient water infrastructure network will not come about without large scale government leadership, involvement and investment.

It's also worth noting that some estimates place the value of the Australian water industry right now at more than \$90 billion. So you can easily see how investment in upgrading our national water infrastructure would create a public asset worth many times the value of Telstra.

Of course, the building of much better national water infrastructure would form only part of the solution to Australia's water challenges. It would need to be part of an overall federal water investment and water policy reform framework.

For example the Wentworth Group has called for much needed water rights policy reform, which I wholeheartedly support. Others have called for a massive permanent reduction in the water allocation to farmers, which I definitely do not support.

By the way, as you all know, in certain areas where it's traded, the price of water has reached record levels, changing hands for hundreds of dollars a megalitre. But whether we end up with much higher water prices or not, today I want to make the point that many of the differing views on water are not mutually exclusive.

- We don't have to make a choice between agricultural growth and the environment.
- We don't have to autocratically take water from irrigators and give it to the rivers.

Indeed, I believe it's entirely possible to maintain and grow our existing agricultural base and to have healthy rivers. We just have to work towards a common goal.

We have to realise as a nation that our existing water infrastructure from the dams and headworks to the crops is – for the most part – highly inefficient and wasteful. There are enormous opportunities for water savings in both our cities and our regional areas. If we make those savings they can provide this country with all the water we need for our present and future urban, agricultural and environmental needs.

In an attempt to demonstrate this, my company has a submission before the NSW and Federal Governments to fund a full project feasibility study of potential water savings in the Murrumbidgee Valley. If both governments agree, the Pratt water team will work with government, scientific, academic, irrigator, farmer, environmental and community groups to lead an intensive study of the entire Murrumbidgee system.

It will look at water savings opportunities from the headwaters right through to the crops and beyond. It will cover everything from the replacement of inefficient irrigation infrastructure and the impact of more efficient on-farm irrigation technologies to the most appropriate water efficient crops and their ultimate markets.

The objective of the study will be to show that when we take a holistic approach, we can produce water savings which will benefit our rivers' health, our irrigators and the economy. We're hoping that what we learn in the Murrumbidgee study can be applied across the rest of Australia.

Obviously, we believe it will make the case for massive investment in Australia's water infrastructure – and in on-farm irrigation technology for the good of our rivers and our irrigation farmers. Such an investment would literally be an investment in the future of this country.

I've already said that I believe so passionately in the need for this investment that I'll contribute \$100 million of my own money on a 'Not for Loss Basis' if the government decides to proceed. Lately, I've been thinking about how that money might be applied.

One of the ideas I have is that it might be used to help underwrite investment in new on-farm irrigation technology by farmers. Those farmers who've made investment in more efficient on farm irrigation almost always sing its praises. But many of our farmers lack the funds to proceed or they see the risks as too great.

We might be able to work with farmers and the banks to give both the farmers and their banks more comfort in borrowing money to invest in more efficient irrigation. That might help speed up the adoption of better on-farm irrigation practices. I'll be

Ladies and gentlemen, today I've spoken mainly about irrigation. This does not mean to imply that I see Australia's water challenges as limited only to the bush. There's a great deal we should be doing to save water in our cities. Options which need much more focus include large scale waste water recycling, urban stormwater catchment and management for re-use, domestic greywater systems, rain water tanks for gardens and a host of other areas.

Another major part of the solution will eventually be desalinisation. The relative cost of desalinisation technology has been coming down as the price of water has been going up. The gap will continue to narrow. And it will be sooner than many people think that desalinisation will become economic in this country – especially in times of drought.

Ladies and gentlemen, I've been amazed at the overwhelming response I've had from both the city and the bush since I first started talking about water. I've become convinced that all Australians realise that water is one of the biggest challenges facing this country for the future. I believe that if we get water right, our rural regions can look forward to a brighter future than at any time in their history.

The economic stimulus from the effect of long term infrastructure spending in rural areas would be profound. It could be the key driver to revitalise our regions and their communities. My own companies have invested more than \$500 million in regional Australia in the past two years – most notably with our Tumut Pulp and Paper Mill and our new box factory in Wodonga.

And we've seen first hand what a strong multiplier effect comes from infrastructure spending in regional areas. I believe more infrastructure spending on water road and rail – including fast rail – in regional areas would provide a major boost, not only to agriculture but also to regional industry.

It would help reverse the population drain from many of our regional areas to the city. And it would greatly improve the prospects for the children of regional and rural families.

With our agricultural exports, Australia already feeds more than 80 million people around the world. Imagine what we could do with proper management of our water resources to achieve the same output with a fraction of the water needs. I believe we can easily do that and still meet our rivers' and lands' environmental needs.

As Australians we often look to the massive subsidies paid to farmers in Europe and elsewhere to keep them producing. Massively subsidising inefficient farmers doesn't seem to make sense to us. But a major reason those subsidies are paid is to keep the farmers in rural areas. The Europeans know that without a viable agricultural sector, the drift from regional to urban areas would place great strain on their society.

In Australia, Bob Carr is right to say that Sydney's infrastructure can't handle too many more people. Our challenge is to make our regions so prosperous that they attract people away from the major cities. And water is absolutely fundamental to that goal.

Ladies and gentlemen, I often say that timing isn't everything; it's the only thing. It's better to be approximately right at exactly the right time than to be exactly right at completely the wrong time. Right now we don't have water anywhere near approximately right in this country. But the timing is exactly right to do something about it. It would be a tragedy if we missed the opportunity.

Thanks for listening.

Answers to questions

## Answers to Questions

We can do both – open up more land for irrigation and restore the health of rivers and provide security for existing users.

Out of the headwaters from where the water comes, how much of that is invoiced? What percentage of the water that comes out of the headwater is invoiced? I can't get anyone to give me an answer. I've talked to all the water authorities. They say we don't know. And I say if you don't know, that's the most fundamental thing in a business. I believe if we had the water piped, we'd know would lose only two or three per cent instead of the 20 – 80 percent currently.

I didn't actually say anywhere in the speech that I wanted large acres, more acres opened up, but if that was the demand or desire of the people and they could get the water rights, and the price of water was right, and they had some crops which brought a good price on the world market, then that may be the result. Unless you are growing something of great value, we should make sure the price of water reflects (or the price of land reflects) your ability to do those things.

Obviously the cost of changing the channels (which are gravity fed) to pipes, could be as high as \$1000 a metre. I believe it is possible to do it for a lot less than \$100 a metre. In fact I'm looking at pipes now, which are made of shade cloth inside a plastic pipe and the pipes could cost as little as \$20 a metre, which is \$20,000 a kilometre, which is \$20 million per 1000km. It's a lot of money but it's not prohibitive. And the price of water is going to continue at about 50 percent more than CPI every year.

How long will it be before the price of water is doubled?

At \$500 a megalitre, it would allow you to put in a lot of pipes. When I'm talking about government bonds, I'm saying to the Government 'get the superannuation money covered by your guarantees, and pay five percent guarantee. One million dollars would attract \$50,000 interest at five per cent,. You'd have the super funds flocking. How many super funds made a profit this year? Hardly any of them. So what we should be saying is we'll invest \$50 billion at five per cent.

I don't agree that the first thing is to look at our floodwaters. But we entrepreneurs and farmers have lost trust. They started off by taking a little bit of the water. And they finished up taking all the water. Now the trust has to be rebuilt, then pipes in the channels, pipes in the farms to maximise the use of water, to minimise the waste. The evaporation, the seepage, the waste, to minimise that honestly and legitimately. Then we won't need as much water to water what we're trying to water now. And occasionally, if they had huge floods in the north, we might consider harvesting some of that. There's more water that passes through one point in river in northern Australia (the Fitzroy) than the Mississippi, the Missouri and the whole lot put together. But sometime they have a bad season in the north too, and we mustn't take the water out of the rivers when we have a bad season. I am not in favour of touching the rivers until we've got the respect of the nation to say 'yes, from time to time we might be able to do something with some of the flood water out of the rivers – but we're not at that point yet.

What you're saying is if we use less water there would be more water running down the Murray, but we can't work that out because we don't know what's going to happen in the future. What I'm arguing, and this is what the feasibility study is all

about, if we can reduce the amount of water that's currently being used to irrigate pastures, fruit and vegetables, if we reduced that to 50 percent of what we're using now, there'd be enough water to go down the river, there'd be enough water to open up new areas, which I'm not encouraging. But you have to have confidence in the fact that everybody is going to reduce the amount of water they need.

For those people who know exactly how much water they can use and are using, I'm sure they see this as a very important part of their expense. I'm not sure that whether the farmers don't worry about putting enough water on to their fruit and vegetables irrespective of the cost. If people just haphazardly flood irrigate we've got a serious problem irrespective of what the price of water is. They'll just go broke watering their farm. There are experts who will tell them exactly how much water they're going to get, how much it's going to cost them, and they can work out for themselves whether they are going to stay in business or not. But undoubtedly, the price goes up at a rate that is 50 percent more than the CPI. If the CPI is 3 percent, then the price of water will go up 4.5 percent. That's what's going to happen.

And how long will it take for the price of water to double, treble, quadruple? When that happens there will be some very wise people who sensibly identify the crops they can grow and market. But there are other people who do what Dad used to do – 'Dad used to grow sheep and I'm buggered if I'm going to do anything else.'

Now that's a mentality our universities have got to start to learn. We need to revise our education systems in agriculture. The use of water is not adequately taught at Dookie or any other agricultural school. The modern methods of agriculture, we should bring them up to the 21st century.

We're doing a survey of the Murrumbidgee Valley and we are going to talk to everybody we can get hold of and ask them what their opinion is. Now this is the key to our success. The people still own the land and we should defer to them; we should ask them 'What do you want?' They won't necessarily want what I want to give them – they'll want what they see as relevant to them.

We are going to discuss it with the authorities, with the academics, the public servants, with the people who own the water, with the people who want the water and we're going to get some answers. From those answers we are going to find out what the people want. Hopefully we can give them 95 percent of what they want.

I do want the rivers to get all the excess water; I would like to see our environmental flows improve; and if we can reduce the amount of water that's used by farmers by 50 percent, then that will happen.