ATTACHMENT "A"

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An Outback icon since 1878

Submission to the Murray Darling Authority – November 2010

1. The importance of discretionary spending: a 'real' economy is essential for survival of small communities

1.1. The Towers Drug Co is Bourke's only pharmacy and has operated continuously for the last 142 years since 1878.

1.2. The pharmacy business can be thought of as in two parts: dispensary and non-dispensary.

1.3. *Subject to population stability*, the dispensary (prescriptions) part of the business is the largest part and the most consistent: it attracts customers and results in a majority of sales but it also has the highest costs and, for 87% of dispensary sales, prices are capped by the PBS.

1.3.1. Because it is subject to economies of scale, dispensing costs vary with prescription (script) volume/throughput, and therefore population levels, and are susceptible to population fluctuations which affect prescription volumes[1].

1.3.2. In Bourke, the small population has meant that there have never been high enough volumes of prescriptions for the dispensing to be commercially viable *in its own right* and so the dispensary has never generated an adequate return *per se* to justify the pharmacy investment: additional sources of income have always been required.

1.4. The 'non-dispensary' part of the business – including Pharmacist-Only and Pharmacy-Only medicines, and also health and beauty products and 'non-pharmacy' sales – is the most critical for overall profitability as it provides the extra profit that financially justifies the pharmacy investment as a whole.

[1] In other words, the per item cost of dispensing is dependent on prescription volume per unit of time – the higher the prescription throughput, the lower the per-item cost; the lower the throughput, the higher the per-item cost

1.5. Non-dispensary purchases are essentially discretionary purchases and so non-dispensary profitability therefore depends heavily on peoples' *discretionary spending*. This is clearly illustrated by the following:

1.5.1. To make an adequate overall return on investment, the pharmacy requires an average non-dispensary sale of around $24 per customer visit. In our non-dispensary business we can detect three basic customer types each with its own discretionary spending pattern:

1.5.1.1. *Pensioners and other welfare recipients*[2] spend an average of less than $9 on non-dispensary items. These customers make up more than 50% of total pharmacy visits annually but account for less than 20% of non-script/discretionary spending.

1.5.1.2. *'Employed locals'* have an average non-dispensary spend of over $30. These are around 40% of customer visits annually resulting in over 55% of non-script/discretionary spending.

1.5.1.3. *Tourists* have an average non-dispensary spend of over $65. Although they are less than 10% of total annual customers, they are responsible for around 25% of non-script/discretionary spending.

1.5.2. 'Fly-in-fly-out' workers – an increasingly prevalent way of providing essential services to smaller remote communities like Bourke – tend not to shop in Bourke and so make negligible economic contribution to the pharmacy. They earn money here, but they spend it elsewhere: for every 'local resident' job that is replaced by a 'fly-in-fly-out' job, wealth is actually *removed* from the local economy.

1.6. From this it can be seen that a 'real' local economy – i.e., providing *real jobs*[3] to local residents who spend their money locally – is critical to discretionary spending in the pharmacy, which in turn is essential to the pharmacy's viability. The same is true for tourism.

1.6.1. The basis of Bourke's 'real economy' is agriculture, particularly irrigation. Apart from government services such as police and public education; agriculture (>$100M p.a.) and tourism ($21M p.a.) are the main local wealth generators – i.e., the main local industries that import 'real' income into the local economy – and they are the only such industries to provide the continuous or near continuous employment that causes workers to be 'locally resident'. These two industries therefore underpin discretionary spending in local businesses.

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[2] Includes welfare supported jobs such as CDEP 'work for the dole'

[3] Does not include welfare supported jobs such as CDEP

1.6.2. Irrigation currently supports around 500 'real jobs' in Bourke and generates over $50M in direct income to the local economy and is critical to supporting the discretionary spend that makes the pharmacy viable.

1.7. Since 'continuously employed locals' are the basis of discretionary local spending and irrigation workers and their families are the largest such group, discretionary spending will start to dry up as skilled irrigation workers leave. Businesses such as the pharmacy that depend on discretionary spending will also start to fail and the town will start to lose other skilled workers and the services and amenities which depend on them.

1.8. A certain minimum level of economic activity is required to retain workers – particularly skilled workers and professionals – *as local residents* who spend their money locally. Like in many other local industries and services, if irrigation falls below a critical level, skilled resident workers and professionals will leave the area and/or be replaced by 'fly-in-fly-out' contractors or seasonal workers who make little net contribution to the local economy.

1.9. Water buy-backs will simply hasten this process by providing a direct financial incentive for irrigators to disinvest and leave the district thus hastening the demise of the pharmacy and other health, social and economic infrastructure.

1.9.1. Following 67% water cuts, irrigation in Bourke is already perilously close to the critical level below which it will collapse and its skilled workers will leave. Irrigators are close to the point where they will become 'willing sellers' – at this point, there will be a rapid disinvestment in irrigation with large 'multiplier' effects in the rest of the community.

Recommendation: there should be an immediate moratorium on water buy-backs in the Barwon-Darling section of the basin until after the final Plan and a full economic and social impact assessment.

1.10. It is not only workers employed *directly* in irrigation who will leave the local economy if irrigated agriculture reaches a 'tipping point'.

1.10.1. For example, 5 out of 6 of the pharmacy's current employees have partners employed in the irrigation industry. For each one of those partners who lose their job and moves away, the pharmacy will lose a skilled employee as well. It is virtually impossible to recruit qualified pharmacy assistants locally and it takes a minimum of 18 months to train someone to an adequate (Certificate 3) standard.

1.10.2. With the loss of such skilled *non-irrigation* workers, essential services & amenities, including those essential to tourism, will be lost and more & more skilled workers & professionals will choose to leave. The people who leave first will tend to be the ones who can most easily obtain work elsewhere. These will tend to be the people and occupations in most demand Australia-wide, therefore the best remunerated with the highest 'local discretionary spend' and who are also most critical to local service provision, including essential services such as health and education and 'wealth generators' such as tourism.

1.11. The result will be a vicious cycle that ends in an essentially unviable community, containing only a residual population largely dependent on welfare, with essential public services increasingly provided on a fly-in-fly-out basis (and therefore not contributing fully to the local economy), that cannot support a viable pharmacy or any other businesses dependent on discretionary spending.

2. Imposed economic decline damages peoples' health and works against government priorities in rural and aboriginal health

2.1. Bourke already suffers a profound health disadvantage compared to Australia as a whole. This disadvantage is closely correlated with aboriginality, educational status and welfare dependency.

2.1.1. In other words, educated professionals and skilled workers in Bourke tend to have health status that is comparable to Australians as a whole, whereas aboriginal people, welfare recipients and people with low education have a health status much worse than the typical Australian. This is the unanimous view of health professionals working in the local area.

2.1.2. As services decline, it is these most disadvantaged Australians who will be most adversely affected

2.2. Additionally, *access* to health services for Bourke residents is far worse than for most Australians. For example:

- Having a baby involves the mother travelling at her own expense to Dubbo (4 hours drive away) up to a month before the estimated delivery date and staying there (again at her own expense) for the confinement.
- Potentially life threatening dental infections commonly remain untreated for weeks due to lack of available dental care.

- Patients with serious injuries, including head injuries, have often been denied patient transport, requiring them and their families to arrange private transport to Dubbo to access essential diagnostic services, etc.
- Cancer sufferers have to travel to Sydney (a 10-12 hour drive since Bourke has lost its air flights) or elsewhere for treatment

2.3. Any further damage to the local economy will damage the health of an already profoundly unhealthy community at a time when various other government efforts, such as the COAG 'Closing the Gap' initiatives, are trying to address this appalling health disadvantage.

2.4. To give a simple indicative example of the impact of economic decline on *mental health*; during the recent prolonged drought, according to the pharmacy's drug usage records:

- per capita antidepressant use in Bourke rose by 70%
- per capita prescription analgesic use rose by almost 80%
- per capita non-prescription analgesic use rose by 40% and
- per capita narcotic analgesic use rose by 100%.

Much of this increase occurred in 'no irrigation' years. Further economic damage and population loss is likely to make this situation even worse.

2.5. This however is simply an easily understood 'one-off' example– the likely impact of further economic damage on health services is likely to be *much more* insidious and *even more* damaging and will occur in at least four ways:

A. There will be increased rates of illness and disease, along the lines described in the example above concerning antidepressant and analgesic use. This will not be confined to mental health however: levels of diabetes, cardiovascular diseases, renal failure and other diseases will also increase as peoples' diets deteriorate and levels of exercise, self-care and other preventive measures decline

B. Treatment-seeking behaviour will also decline, due to self-neglect, depression and apathy, leading to higher morbidity and mortality in all disease areas but particularly diseases such as cancer and serious infections that are most amenable to early intervention.

C. It will be increasingly difficult to attract resident health professionals to a community with declining social infrastructure, making it even harder for patients to access appropriate care. Increasing business uncertainty and/or stress also mean there is a high possibility that existing resident health professionals will disinvest in the community and not be replaced, creating a permanent 'access to care' deficit.

D. There is a heavy *interdependence* between the three 'core' health services in the town – the local GPs, the hospital and the pharmacy[4], and a strong *dependence* on all three by the remaining health services, such as community nursing, mental health, drug & alcohol, residential aged care, allied health services, aboriginal health services, diagnostic imaging, visiting medical specialists, etc.

D.1. The three core health services of GP, hospital and pharmacy are dependent on attracting and retaining resident GPs, nurses and pharmacists respectively: this is already especially difficult to do and will be made much worse by any further economic decline.

D.2. At the moment, there is barely enough GP, pharmacy and hospital care capacity to meet the current modest levels of locally available care

D.3. It is more than conceivable that one of the three core services will fail or be reduced to a level that causes the others to reduce services, for example,

- Loss of GPs would affect the hospital's viability by reducing availability of visiting medical officers (VMOs), and reducing the viability of the pharmacy through a reduction in prescription volumes
- Closure of the pharmacy would result in lack of ready access to a full range of medicines, affecting prescribing practices and availability of non-ward-stock medicines to hospital inpatients, reducing the feasibility of admitting certain patients. It would also force GPs to dispense prescriptions thus massively increasing GP workload for little return and effectively reducing peoples' access to local GP services.
- Closure of hospital beds would substantially reduce GP's 'VMO' incomes, making it harder to retain local doctors
- Loss of any of the three 'core' health services will also result in a downward service spiral with doctors, pharmacists and nurses reassessing their

[4] According to Dr David Sutherland of the Rural Medicine Unit at UNSW, health services in a country town can be likened to a three-legged milking stool – the local GPs, hospital and pharmacy are each one of the three legs of the stool and all other health services make up the seat. Take out one leg of the stool and the 'health system' of the town 'falls over'

economic prospects and deciding to move away from and/or disinvest in the Bourke district, and more and more services becoming unviable.

- Substantial service cutbacks by any of the three core services will also result in failure of other health services – for example, the Aboriginal Health Service and both aged care residential facilities would fail without the support of either the local GPs or the pharmacy. Most visiting medical services will become unviable without the support of all three 'core' local health services. And so on.

2.6. Without adequate health services, the already disadvantaged, such as the aboriginal community, would be further adversely affected, to the extent that living here would become a practical impossibility for many

2.7. A failure of irrigation in Bourke would therefore likely result in catastrophic health outcomes, rapid loss of skilled population and services and overall population loss, including the need for many aboriginal people to move to areas far removed from their traditional lands.

3. The Authority must take account of 'lived experience' in the Basin in challenging the accepted 'truths' of the limited available science

3.1. As someone with training and experience in both the medical/biological sciences and business & economics, and with a decade of lobbying experience in Canberra, I am reasonably familiar with complex, ambiguous and uncertain systems and models.

3.2. It was very clear from the Authority's consultation meeting in Bourke that the models so far underpinning the Authority's work do not coincide with the experience of the professional land managers living *in this part of* the Basin. This should ring loud alarm bells for the Authority and it was good to detect in the Bourke meeting that at least some Authority members are aware of this fundamental 'disconnect' between the scientific models and lived experience.

3.3. *Lived local experience* for many of us here goes back 150 years and, in the case of the Ngemba and Barkindji people, much longer. That experience includes longstanding environmental concerns – for example, my own family was making efforts to fence off watercourses in its grazing land as early as the 1940s

3.4. Lived experience *in this part of the Basin* seems dramatically different to the models and accepted truths of visiting scientists and metropolitan voters. In our experience, the rivers and land are healthier than most people imagine, *and getting better*, at least here around Bourke. For example:

- Every time there is a fresh flow in the river, the fish bite in the same large numbers that they did many years ago, giving lie to the claim that native fish numbers have been reduced by 90%. As a result of fencing watercourses and other improved land-management practices, the river country has never been better. The banks are well-vegetated, the giant red gums are recovering after the drought and new ones are shooting.
- The feral carp that we all know have done so much damage to the river over so many years now seem to be in decline. As a result, native water weeds are making a comeback in the river and we are catching catfish again – a species we had been told never to expect to see again.
- Genetic engineering of crops, the move away from annual cash crops to horticulture and strict farm management plans for the last 20 years mean less spraying and a healthier river.
- The cod, the perch, the yabbies, the red-tailed black cockatoos, the shrimps, the clams, the frogs, the snakes, the ducks, the pelicans, the cormorants and all the other many species that depend directly on the river – all of them have been here all along.
- Earlier this year a wombat was discovered near Bourke – this had never been recorded before. We know there are koalas up on the Culgoa and out on the Paroo.
- Right now about one Sydney Harbour flows past here every week-and-a half and it's only a 'half banker'.
- Biodiversity seems to be increasing. A pair of pale headed rosellas normally seen around the Darling Downs has been breeding on the river near the Back-of-Bourke Exhibition Centre for several years. Snake species normally confined to higher rainfall areas have been repeatedly identified here in recent years. Plants that haven't been seen in 50 to 100 years are being identified again.

3.5. We who live here know about these things but no-one else seems interested. We wonder why no-one else is interested in 'our' reality and our lived experience. We wonder why the scepticism that is the basis of all science seems to be absent when it comes to questioning the untested pseudo-scientific models that have been put forward. We wonder whether this is because this is not really about 'science' so much as about some peoples' political agenda. We think it would be tragedy if decisions were made on a political, rather than true scientific, basis.

4. Any economic interventions should be responsible and constructive

4.1. The Authority has noted that of the consultation meetings it has conducted so far, the Bourke meeting was one of the most positive, constructive and helpful. I would like to suggest to the Authority that this was no accident but rather, reflects the Bourke community's unity and *professional concern to manage the river sensibly.*

4.1.1. Bourke is not a short-sighted community with fast business operators determined to make a quick dollar by exploiting available resources in the short term. Rather, it is an intelligent, reflective and cooperative multi-racial community that is conscious of its history – particularly its historical contribution to Australia's economy and its cultural legacies – and determined to contribute to its own and the nation's future.

4.1.2. Bourke is a community which is in no doubt that the river is essential to our long-term survival and prosperity and we are vitally interested in its sustainable management. We are proud of our economic, social and environmental responsibility, expertise and resilience, and we are determined to carry these things forward into the future.

4.1.3. To many in the Bourke community, it seems that we and the Authority actually have similar objectives. In this light, the concerns expressed at the Bourke consultation meeting reflect our grave and considered concerns about the scientific basis of the Plan, the (lack of) overall management responsibility for the Basin and our part of the Basin in particular, and our concerns and fears over the implementation of previous, current and future water management initiatives.

4.2. It is more vital than ever not to 'rush to the wrong solution' in managing the Basin, or in managing parts of it. Stability and a managed approach are essential to prevent the catastrophic short- to medium-term collapse of health, social and economic infrastructure described above, which – once lost – is unlikely ever to be retrieved.

4.3. It is a fundamental principle of scientific management that decision makers should base their decisions only on scientifically reliable and stable data, rather than 'short trend' or 'outlier' results that are unlikely to be indicative of the true situation.

4.4. As anyone who has lived on the Darling near Bourke knows, the natural variability of river flows follows a cycle of at least 20 years, and probably much longer. Any modelling *must* reflect this: if it does not, it is *guaranteed* to be wrong and *guaranteed* to result in a wrong decision. This is not a 'nice to have': it is a minimum requirement without which good decisions simply cannot be made.

Recommendation: In the interests of good decision-making, modelling needs to reflect the variability of river flows over the 20 – 50 year 'natural cycle'

4.5. Also, previous water management interventions in this part of the Basin have not been given a chance to work. This creates unnecessary economic instability that can only be damaging to communities such as ours.

Recommendation: In the interests of economic stability and good decision-making, the water management arrangements already in place should be given a reasonable chance to work.

4.6. The Authority should also give careful consideration to the type of economic intervention made in this part of the Basin in the immediate and medium-term. As previously mentioned, water buy-backs will be particularly destructive for this part of the Basin, resulting in permanent loss of economic and social infrastructure and they should not be considered except as a last resort.

Recommendation: there should be an immediate moratorium on water buy-backs in the Barwon-Darling section of the basin until after the final Plan and a full economic and social impact assessment.

4.7. Irrigation *infrastructure investments* on the other hand, necessarily have an economic *stimulus* effect on local communities while also resulting in water savings.

4.7.1. There are opportunities – particularly at Menindee Lakes – to achieve large water savings through infrastructure investments and relieve some the current unnecessary pressure on upstream water users.

4.7.2. Also, in this part of the Basin, Land Managers have already been working to achieve better water usage for many years and more could be done with enlightened economic assistance. Such investment should not be wasted through water buy-backs, but should be supported through infrastructure investments, with a view to achieving an economically and environmentally sustainable local irrigation industry.

Recommendation: there should be an immediate effort to identify specific infrastructure investments that will achieve maximum water savings in the Basin, and also to identify infrastructure investments that build on the current efforts of local irrigators to improve water utilisation and reduce losses

Thank you.

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