

THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON CLYDE RIVER WATER MET IN THE CONFERENCE ROOM, HENTY HOUSE, LAUNCESTON ON THURSDAY 19 AUGUST 2004.

Mr SCOTT ASHTON-JONES, CHAIRMAN; AND **Mr PETER WILLIAMS**, DIRECTOR AND CHIEF EXECUTIVE OFFICER, RIVERS AND WATER SUPPLY COMMISSION WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Hall) - Welcome, gentlemen. We have your submissions. Before I invite questions from the committee, is there anything that you would like to add to your submissions at this stage?

Mr ASHTON-JONES - Mr Chairman, I might start very briefly just to reinforce a couple of things of basic note. Everyone would be aware of course that the Rivers and Water Supply Commission is a body that manages irrigation schemes and other assets and since the introduction of the new water act has had no role in the regulatory side of the water or dam industry. Sometimes there's a misconception some people have and perhaps it's worthwhile clearing up and our submission attempted to do that.

Perhaps the second thing I ought to say is that since being asked by the minister to act as a substitute water entity in the Clyde water irrigation district, just by way of explanation of our modus operandi, we have tried to continue to operate as we do anyway, as a properly constituted board, to have a delineation in functions between board and management. So that the technical and operational ideas and progress that we have made up until this date and until your select committee was put in place has been driven by management and we've tried to keep it so that the board up until now and if there's any future role - in answering some of these questions - it is that the board remains as a filter and as a policy making body rather than being down in the driving of the operational side of things. I just wanted to say that is how we do operate, for your information. Much of the operational stuff is Peter's to answer but any policy stuff and things, certainly I can help with. I just wanted to make that point.

CHAIR - Peter, did you want to add anything at this stage?

Mr WILLIAMS - I guess in preparing a submission it wasn't possible to address the terms of reference directly and I did it a different way in that I identified what I see as three separate but related issues, being the water allocation scheme operations and the business entity that you would need for the scheme to go on into the future.

I have had no feedback saying that the Legislative Council committee is unhappy with the way that we are pressing on with this scheme operation otherwise we want to be in a position for this coming season and we still remain the water entity.

The water allocation is something that needs to be resolved and put behind us so that we can go forward.

CHAIR - What in your view is the amount of water that is available for the long-term sustainable use and, secondly, how does that stack up against the estimates provided by irrigators to the commission? I noticed some of your letters there and I do not know whether you did finally get some estimates back.

Mr WILLIAMS - We got some estimates back from some other bigger irrigators and some of the smaller ones but there is a group in the middle that haven't responded; they thought it was inappropriate.

I stand by that letter; we're optimistic that we can deal with most people's requests in a reasonable way. An allocation getting up towards 10 000 megalitres may well be possible using water from Meadowbank.

CHAIR - That includes Meadowbank; that's pivotal in your view?

Mr WILLIAMS - Yes. You won't necessarily have to use Meadowbank every year but you would not be able to confidently allocate the water rights without having the machinery there to be able to provide that water.

Obviously if there is sufficient water and you can provide it and lake levels are in the desirable category you would save the scheme, but you do need that in place to be able to allocate with confidence.

CHAIR - So you would be getting up towards maximum allocations, do you think then, if everything was in place? If the water levels in Crescent and Sorell were sufficient and with the addition of Meadowbank, in your view that would be a possibility?

Mr WILLIAMS - Yes.

I would also agree there are probably two other things that would lead that to be feasible. One if that we would change the operational rules so if you order water and you don't use it, it isn't necessarily used it just flows through into Meadowbank, whereas would have the system which could be used for other schemes. If you order the water - so many megalitres for Wednesday - it comes off your allocation. You basically pay for it whether you can use it or not. It is your problem, once you've ordered it, to use it.

In reality if someone has a breakdown the scheme manager will usually try to get someone else to take it and all those sorts of things but that will reduce the amount of water we need for release to satisfy the requirements.

I think the other issue will be that when there is a charge for the water that will also influence the amount of water that is used and some of the less efficient methods of using irrigation water will be replaced by pivots and those sorts of things. So both those things will help to mean that that 10 000 is sustainable.

CHAIR - Just going back to the work of committee B, in your opinion do you think that is a fair and reasonable basis to allocate water on?

Mr WILLIAMS - I guess I'd go so far as to say they did a lot of good work but there is still debate. The fact that the bill doesn't totally agree at the end of the day, perhaps it wasn't quite right, but I think certainly, as in our letter, the commission said we weren't wedded to any of those but the amount that people would get would be somewhere within the ballpark of the work that had previously been done.

CHAIR - So out of committee B and Marsden and Jacob and then further, have you an opinion as to which of those three gave the most fair and equitable allocation.

Mr WILLIAMS - No, I don't think you can give a blanket answer to that. We thought and debated with the board what would be a fair process if we put ourselves in the situation of the irrigators. Everybody has a slightly different situation, so in the letter, which you have a copy of, we wrote to people and said it is in our mind to grant you a water right bounded approximately by the work that has been done already. You are unlikely to get more and you are unlikely to get less but tell us what you think would be fair for your property and your business needs in that spectrum, bearing in mind that you will be paying for the water whether you use it or not. Once you've signed up for the water right you pay for it whether you use it or not, so tell us where you want to sit.

That was what we thought was the first thing to do. Then we asked people to tell us why they thought they sat there. Then what I intended to do was to take those requests and hopefully they would, even in the first iteration, box pretty closely to within the 10 000 megalitres or a bit less that we had allocated. If they didn't quite make it we would talk to the people and get a feel for it. We would then put out to everybody what we were proposing, the full table so everyone knew what everyone else was getting and say, 'Tell us what you think about that'. Make some more submissions. The board would then have looked at it. People could have perhaps made representation to the board if they were desperately unhappy with what they was proposed and then the board would sign off on that and pass it on to the minister. I guess there would be another opportunity for people to more comment then and if the final thing was dealt with by legislation, those allocations would end up coming back to Parliament, via legislation or via regulations. So there would be a final way to make sure it was fair. We didn't get all the requests in and this other process overtook that in advance. But I'm still optimistic that we could give it a pretty good shot and look after most people's interests. The sort of water that has been used in the last few years is a long way short of what we are talking about allocating. We are talking, 7 000 megalitres, 6 000 megalitres of water being used and we have an extra, probably 1 300, 1 400, quite a lot of extra water that you would allocate over and above that that people haven't used. So that's why we would be optimistic.

We have to look back to the water act and what the water act tried to do. Before the water act came in people had expectations and they had businesses that depended on water and the water act tried to make sure that people were no better or no worse off than they were when the water act came in. And if you use that as your test and people have only been using 7 000 and we have an extra 2 000 or 3 000 to allocate, you could make a clear argument on average that most people are going to be better off than they were pre-1999 when the water act came in. So that is why, we, the commission has an optimistic view of where we'll go.

Mrs SMITH - Mr Williams, on 3 May you wrote to irrigators asking them to respond by the close of business on 31 May. I presume that property register we have a copy of and that work was sent to irrigators, is that correct? You've given it to us in your submission.

Mr WILLIAMS - The attachment with the list of some of the work that was done.

Mrs SMITH - Yes. Can you give us an indication of how many completed the request and returned it by the due date?

Mr WILLIAMS - Seven or eight, I think.

Mrs SMITH - Okay. And of the seven or eight that returned it, did they request more, they were comfortable with which process? Can you give us some indication?

Mr WILLIAMS - The numbers that we received looked okay. They looked good within the ballpark. They were reassuring, I guess; just put it that way.

Mrs SMITH - So the seven or eight who responded were fairly comfortable with the process that you were taking on board and they responded within the time line?

Mr WILLIAMS - No, they didn't say that. They responded and they weren't ridiculous requests. In actual fact a couple of them could be characterised as conciliatory.

Mrs SMITH - The letter told them that there would be a process that would be worked through in June 2004, seven or eight responses. Have you any indication from others as to why they did not respond into the time line?

Mr WILLIAMS - We received a letter from a group of 12, saying that they thought that it wasn't right and we should just allocate - I'm not sure; I don't have the letter with me now. They believed that committee B, I think -

Mrs SMITH - This was from 12 of the Concerned Irrigators Group?

Mr WILLIAMS - Yes, saying that they didn't wish to participate in the process.

Mrs SMITH - Okay. So perhaps it's a policy position and it's the Chair who should answer the next question. Bearing in mind that you took a proper and clearly explained process that seven or eight chose to be involved in, what was the position of the board then? What were you going to do with those who had ignored the request?

Mr ASHTON-JONES - By the time we considered that issue, point 1, it coincided with the beginning of this select committee process. So in effect we didn't choose to pursue it any further, given that this process was under way. Had this process not got underway I do not think we had decided we would have gone back and reconsulted with them and we hadn't got to a definite point.

In effect what happened was that your process here overtook it and so we decided that it was appropriate that we let this go through its entire program before we went back. We were encouraged by the responses that we got, as Peter has said, in relation to the content.

Mr WILLIAMS - On 25 June we wrote back to the people who were fined at about the same time as the others saying we put it on hold because of the Legislative Council process.

Mr WILKINSON - With the eight that you did get back, were they within committee B's recommendations, the Beattie recommendations, the Marsden Jacob recommendations?

Mr WILLIAMS - Yes, they were within that band.

Mrs SMITH - Mr Williams, would you like to give us a short precis of the Longford-Cressy Irrigation Scheme and how Rivers and Water progressed a process that I believe now is under the management of a company or corporation or what? We're trying to get a comparison against the trust of how that is working and is it working as you expected.

Mr ASHTON-JONES - The commission has, by way of background again, as you are aware undertaken the diversement to local management of both the Cressy-Longford and the Winnaleah irrigations schemes. Cressy-Longford has been going for a couple of years now and we think with great success. The model which we are using, which Peter can give you more detail about, seems to be working for them and certainly the Winnaleah group is happy with the structure under which they are now operating, but that is early days for them.

The commission therefore is not only experienced in operating irrigation schemes but it is very experienced in divesting to local management.

Mr WILLIAMS - Cressy was the first one and we spent quite a bit of time researching the most appropriate corporate structure and the most appropriate governance arrangements. We looked at various models that had been used on the mainland and a whole lot of other things and we came up with a company limited by guarantee. All the irrigators are members of the company and the commission has maintained ownership of the core assets of Cressy, the channels and so on, but all the operational assets have been handed over to the company. They have an interest-free loan from the commission so they own those assets.

At the same time that went they were also appointed as the responsible water committee. So they have all those obligations in terms of making sure the water flows, reporting to the minister on things, meeting environmental standards and all the rest of it. They set their own charges and all the rest of it.

We did quite a bit of work with the group, exploring the condition of assets to make sure that they were not taking on something that was going to turn around and bite them when assets fell over and they were not being maintained properly. So we have that covered by a fairly neat process which is that we and they look forward to future maintenance needs. They go out about 10 years and work out what your upcoming maintenance needs are to maintain those assets in perpetuity. That is averaged out each year and they pay to the commission that amount of some \$20 000 or \$30 000 which is deemed to be enough to maintain those assets in perpetuity.

The commission holds that money in a trust account that bears interest and when they need to do any work on maintaining, repairing or replacing things they draw the money

from that account. It is quite tax effective for them because they can claim that as an expense but the money sits there accumulating interest that is not taxable so that grows. They decide when they need to draw that money. They have their own views on risk. Maybe you can go another season rather than replacing pumps; it is their call and it means that those assets are maintained in perpetuity.

It is an evergreen lease as well rather than it running out each year. The lease goes for five years and each year, provided we are happy and they are happy, it is extended another year, so they always have five years. We are due to have our meeting shortly with the chairman of the group, where they do their annual report to us. That is how it is structured. There is some comfort for the Government or the people of Tasmania. If that group decides they no longer want to be the water entity, then that is fine because the Government has the core assets and you could then appoint somebody else to manage it. So it's not that the assets are totally lost. And I guess one of the good things that have come out of it is that all of the directors have been to the company directors course and those sorts of things. That has all come out of it and it's turned out, a bit anecdotally, to be a very positive thing for the community there and their involvement in running it as a group. And Winnaleah has gone the same way. But before could get to that we did have to have quite a few issues sorted out. There was some difficulty with the prices that weren't really fair that had to be sorted. There are some issues with maintenance that had to be sorted. They have appointed their own scheme manager and all those things. But once we were there it was fine.

CHAIR - What's the current user charge per megalitre on Longford-Cressy?

Mr WILLIAMS - It's about \$30. They put it up by the CPI this year and, yes, I think it is around \$30.

CHAIR - And Winnaleah?

Mr WILLIAMS - Winnaleah is about the mid-\$50s but they rebate it back, provided the water sold is more than 4 000 megalitres or something like that. There is a reduction. Because with that scheme you have a fixed amount of revenue that you need to run the scheme and if you sell more water, it doesn't really cost you very much more to sell the water because you just have to open the tap. You have no pumping or anything like that. So that's why there is a charge and if it is a year when you don't sell very much water, you know you'll get sufficient revenue to meet your costs. But you also have the opportunity to give a rebate if you sell more. It was a similar story when we were trying to work out the price for Clyde. It depends on how many megalitres you sell what the price is.

Mr WILKINSON - You have no doubt tossed figures around in relation to the Clyde. Can you tell me what the figures are that you have tossed about?

Mr WILLIAMS - We think the cost of running it - and because we haven't run it, we are stabbing a little bit in the dark - is probably \$70 000 plus or minus. And \$10 000 to \$15 000 is actual operational costs, management costs. We are looking at financial costs of perhaps \$120 000 to \$140 000, assuming you perhaps pay the debt back over three years. You have interest of 23 per cent, depreciation on pumps, 12 per cent, and other things. So they are the two numbers which takes you up to \$200 000 plus or minus

\$20 000, divide that by 6.5 and you get a price of \$29 000 to \$34 000; you divide it by \$8 000, you get a price of \$24 000 to \$27 000.

Mr WILKINSON - Cents a litre?

Mr WILLIAMS - Dollars per megalitre. But you have to look to what's an affordable price and how long too; what interests rates might be; and how much water you sell. That's assuming also that you'd have a two-part tariff where, once you had your water rights you'd pay probably for 80 per cent of it, whether you took the water or not, and 20 per cent which reflects your actual costs. Because it doesn't cost you a lot to deliver the water. It is really making sure the infrastructure is there.

Mr WILKINSON - Irrigators agree, no doubt, that it has always been a cost-recovery process. Would this still be just a cost-recovery process?

Mr WILLIAMS - Yes, it would be. There should be opportunities with the schemes to make sure that they are robust when you hand them over, so you're not handing over a poisoned chalice, but also opportunities with efficiency gains and better management, local people managing it, to get the cost down. So that's been the good thing that we've been able to do when we've handed the schemes over. There has been that little bit of blue sky there for them.

Mr WILKINSON - I'll throw something in from left field. It would seem to me that the Rivers and Water Supply Commission, being a government business enterprise, may wish at some stage, if there was an offer put in by a private investor, to purchase the scheme and then sell it downstream to the irrigators. That is available, I understand, at the moment. Is that correct?

Mr WILLIAMS - What are we talking about, which scheme?

Mr WILKINSON - The Clyde.

Mr WILLIAMS - With the business that we had, and we were in the business of devolving things, the commission wasn't looking to take on new irrigation schemes. It was very much a request from the minister would we take it on, do the sort of job we had done on the other schemes and then hand it back. So we've always taken it on with the idea of handing it back. We're suggesting this company limited by guarantee model because it seems to have worked well in the Tasmanian situation for the two schemes that we've done already. We are looking to do the same for the South-East. That is the scheme that we were looking to do.

Mr WILKINSON - But you wouldn't want a private investor in there doing that, would you? You'd want it still to be run by the people who are getting the water from you.

Mr ASHTON-JONES - That's our preference. We have three criteria which we try and meet. The ones which Peter has talked are to make sure that the debt structure is appropriate for a new entity to carry on, that there are clear and transparent water allocations and that there is a good group of people in the position to run a new entity, in this case preferably of course a group that represents the local district.

Technically, once we were finished with it, if there wasn't a group of local people, of course someone private could run it but it wouldn't be our first wish.

Mr WILLIAMS - I guess with the history of these businesses - and we have seen it, again, in Queensland where their power business was sent overseas - once you as a private individual get it you can make very good profits by taking a fairly cavalier attitude to risk and you can run the thing down because it's not your risk if the thing breaks down and you can't deliver water. So how much you spend depends on the risk, whether you need to replace the pipe now before it breaks or you wait until it breaks, and those sorts of things.

So that is why it's probably not a particularly good model for a private individual to run it, because they have quite a different goal than the irrigators, who have not just the business of buying water but their consequential losses of not getting the water is huge. They haven't got alternative supplies and it has those major downstream effects where you're not producing crops. So your attitude to this needs to be managed, I believe, by the users and then they can make their own call.

Mr WILKINSON - I put it there because hopefully that wouldn't be done but it's available -

Mr WILLIAMS - Yes and wouldn't think it was in the public policy to do that, particularly for a small scheme, that this is, in a local area.

CHAIR - Do you see any potential for other storages, especially in the northern part of the catchment, to create additional water?

Mr WILLIAMS - It is not something that the commission is doing because you just have to look at the amount of water that has been used in the past and what we believe we can allocate. I think once you get the scheme operating in a more efficient way and you have your two-part tariff for charging, those sorts of investments will be made by individuals for their own need. They will look at what water they have, they will look to see whether they need more water for their business and then they will make a decision. Do I go and buy water rights from my neighbour? Do I buy water from a neighbour's dam? Do I install a travelling irrigator to reduce the amount of water I use rather than flooding. Building a dam is just one way of getting more water and it is often not necessarily the most efficient. There are lots of other things that you could do.

Mr FLETCHER - I guess in the first instance, Peter, I just want to talk about the two-part tariff and wonder if you recognise, and of course you do, that there are high-value-added irrigation districts in the State and there are low-value-added irrigation districts. This Clyde River area may well be a low-value-added irrigation district with limited capacity to pay on the water they use.

Mr WILLIAMS - We haven't done any detailed research on it. I guess the thing we have looked at in terms of the most comparable scheme in our experience would be the Cressy-Longford scheme, where there is a similar range of crops - poppies and so on - grown in that district. There is still quite a bit of water used up there used for pasture.

Mr FLETCHER - Frost country.

Mr WILLIAMS - Yes, so is Cressy-Longford. I think it is within the ballpark at that price. You may make some arguments that it is the low end but there are some pretty large areas of poppies and there is good money in fattening sheep and lambs and those sorts of things from pasture now. So, we do not think it is too far but I tend to rely a little bit on the three other board members who are more intimately involved in agriculture and their reaction to the sorts of numbers we are talking about.

They are talking about top-end costs and the low-end water allocation. Before you get to \$30, if we could allocate more water and were able to get the cost down, you are looking at a lower amount. Rather than \$30 you are looking at \$24 or whatever.

Mr FLETCHER - You argued in the early part of your submission that regarding supply and demand where, if not in balance, there was an excess of water on an annual basis given your 30-year modelling.

Mr WILLIAMS - What I'm saying is there is more when you do a rough look at it. You could allocate more than 7 000; you could allocate up to about 10 000 with having Meadowbank as your backup.

Mr FLETCHER - The concern of course is that the 1976 policy, according to the certain parties, establishes a priority right, higher and lower. That is of little consequence in good years, average years, but it's at some considerable consequence when there's a drought or in very difficult years. Tell me how your policy would accommodate those drought years.

Mr WILLIAMS - I guess when this was handed to us, I have all the documentation and I accordingly read through it and I formed a view that when the requests were made for additional water back in the 1970s, the Clyde Trust members certainly were mindful that they didn't want to be allocating more water, new water, at the risk of prejudicing existing ones. I think that is fairly clear. But then when you look through what happened, whether those agreements were ever made transparent or whether people were ever told, 'Okay, your water is post-1976 and you can't have any water because there's a drought on', there's not a lot of evidence that they followed up what they had in their minds with by their actions. That's the general agreement. There might be the odd exception but that's generally what's happened. And then you read the legal opinions in saying that notwithstanding the fact that it was in their minds to give those later ones a lower level agreement, it didn't ever happen and those agreements were never really enforced. That's why we are here today. That then gets to be a really difficult legal situation. But practically though, when you look through the work of committee B and the various other things, there does seem to be a recognition, and the commission would be tending to do the same, that long-term users that have been in the scheme for a long time do deserve a recognition by being treated well compared to later users and larger users that perhaps came along later, because they can demonstrate they have that expectation. This is only to the extent that is consistent with the water act. The water act says you have to be looked after, your rights have to be preserved. And I think people who were long-term users and had long-standing rights probably did have an expectation that those rights were a bit better than the other ones. So you need to recognise that but I don't know that you necessarily have to recognise that in terms of higher and lower priority rights. If you look through committee B there are about 15 categories of people who had

rights and didn't use them, had rights and did, had rights and used them and didn't pay, had rights and paid. There is a whole string of things.

Mr FLETCHER - Your proposition there seems to be that, in the event of inferior management practice on a day-by-day basis, the history of that is sufficient to override the documented policy of an organisation.

Mr WILLIAMS - It was in their minds that they would not compromise it but they never did it. So, what does take precedence, a decision or your actions? I guess the legal opinions suggest that people's actions are pretty important rather than what they said they'd do. That was my reading

Mr ASHTON-JONES - Can I just add to that. From our board's point of view, as Peter has said, we recognise the 1976 principle as Peter has described it and we haven't come to a detailed answer as to how we handle it. But we have said to our management, and our board has concluded, that their ought to be some recognition of it and we think there's a way of doing it. Once again, when the select committee came along we probably stopped developing the final formula for doing that. But we are pretty confident there's a way of recognising the principle. We are not trying to, or my board anyway, are not trying to decide the rights and wrongs of whether there are agreements enforced. What we do know is there's sufficient legal and other controversy to make that muddy for us but that we think there's sufficient steam in it to somehow recognise it or to make sure there are water allocations which ought to make pre-1976 licence-holders happy and post ones happy in the main, though perhaps not exclusively.

Mr FLETCHER - Mr Ashton-Jones, I wonder if you would generalise your thinking in relation to how that might be met?

Mr ASHTON-JONES - What my board has said is that we recognise the principle; we recognise it's muddy water and from the advice we are getting from management on preliminary thinking we think we could probably fix it. As I said, once the select committee came in we haven't wanted to go ahead and do what we are asked until there is some interaction with you and others and anyone else relevant, to come to the final detail.

There will be ways, as Peter is hinting, of giving sufficient water to be allocated.

Mr WILLIAMS - It will be a one for one.

Mr ASHTON-JONES - We're quite confident there are.

Mr FLETCHER - You are clearly being asked right now.

Mr WILLIAMS - They will be tailor-made solutions because you have a relatively small number of people. They each have their own individual circumstances to be dealt with. A number of people in the lower part of the catchment will have 100 per cent surety because it is at Meadowbank. So that group can be dealt with. Some of the others are quite small users and to satisfy what they believe isn't going to be a major problem in the overall allocation you might only be talking about quite a small number of megalitres to

look after some of those people. So, to me it is going to have to be worked through virtually on an individual property-by-property basis.

We also need to recognise that at one stage some 18 or so of the irrigators were pretty well signed on to an allocation, as I said, so I don't think it's too far away. I might be wrong but I don't think we are.

Mr FLETCHER - I didn't pursue it but I don't think you clearly answered my question in regard to the allocation of water in drought years. You floated around that but this is particularly relevant at this stage when your Chair has said that the board of the Rivers and Water Supply Commission has ideas about how it might be accommodated and how the allocations ought to be made to keep everybody happy. What I want you to specifically address is how that would apply in difficult years, not in good years. It is easy to do in good years but not in difficult years and years of drought. What do you have in mind? Just give us a range of options.

Mr WILLIAMS - When push comes to shove you would have to cut back on a percentage basis the people who cannot be supplied from Meadowbank, but you wouldn't let yourself get into a situation where this happened suddenly. You would be looking at your storage levels so there would be plenty of forward notice for people. We would say that things are not good in terms of the reserves in Crescent and Sorell and there may need to be a squeeze for the coming season. But we are talking about a squeeze on 10 000 megalitres and that is not an amount that's commonly been used.

Then you have 1 500 megalitres at the bottom that are 100 per cent surety. There are even ad hoc things you could do. There are even a couple more irrigators in the lower part who could be supplied from Meadowbank so that would be a few more hundred litres. It might only be temporary pumps but we've done that in the past out of Craighourne when we've had drought years. We've hired a diesel pump for a couple of months to pump water a kilometre, so there are those sort of things that you put in place.

There are some quite large private storages on the scheme. If we can get the scheme working well and everybody comfortable with it all, I believe there would be cooperation from some of the other land-holders who have larger storages to help out in those circumstances. Because there has been this sort of breakdown there is not an inclination to do that, but I believe we can get it on track. Those storages are quite large in terms of the overall amount of water that has been allocated.

Mr FLETCHER - Certain parties in the southern end of the scheme might say, 'Yes, you are trying to get us on to the Meadowbank scheme but obviously we are going to pay a lot more for the water from Meadowbank than we would pay for the water we are getting out of Crescent and Sorell'. How would you address that?

Mr WILLIAMS - It is not a big cost. The first lift is about \$3 or \$4, the next is about \$3 a megalitre; you're talking about \$7 or \$8 a megalitre to lift it and if you spread that over your 10 000 megalitres - and you might only have to pump 1 000 megalitres, you might pump 1 500 - it is quite a small cost and the good thing would be that in those years when you are selling 10 000 megalitres, the scheme would be quite flush with funds so you can afford it.

Drought years are good years for irrigation schemes, it is the wet years that are bad, when we find it hard to make ends meet, so drought is usually good for an irrigation scheme. So in the year that you had to pump in fact -

Mr ASHTON-JONES - It's not the case at the moment.

Mr WILLIAMS - No, those years you had to pump and you had to pay, I think I budgeted \$7 000 or \$8 000 for power in those years, that would be easily accommodated by other water sales.

Mr ASHTON-JONES - And a pretty cheap answer to providing at least part of the scheme with 100 per cent surety given that it is spread over the cost of the whole scheme.

Mr WILLIAMS - You'd probably tweak it a bit too, that if there was a reduction to, say, 75 per cent of your normal allocation, if it did desperately come to that, the people at the bottom would get their first 75 per cent spread across the same price but they might be asked to pay for the pumping cost for the extra 25 per cent but that's a minor machination in the overall scheme of things.

Mr FLETCHER - Could you clarify my thinking in relation to your last statement? Can I give you my understanding and you can either agree or disagree. You are suggesting that if the Rivers and Water Supply Commission were in control of the situation and there were extra charges associated with delivery of water at the southern end ex-Meadowbank, the extra cost of supplying the water would be ameliorated or spread across the whole of the scheme?

Mr WILLIAMS - That's right. The only time that might be changed is in a drought year. If you are only supplying everybody else with 75 per cent of their water, maybe you would expect the people who had 100 per cent surety, they may even get 120 per cent that year because there is spare water in Meadowbank and as a scheme operator, if you have water you'll always want to sell so they would be expected to pay that. They would be the sort of ways that you would pick up some extra money in those dry years.

Mr FLETCHER - A further scenario under that model or a further criticism of that model may well be that whilst we have water rights, trading rights, to water if there was a southern ex-Meadowbank scheme there would virtually be no trading at all. There is ample supply so there would be no market for water in that area; everybody would be provided with water to meet their needs from the Meadowbank scheme.

Mr WILLIAMS - I guess I'd answer that in two ways. First of all it's on the one hand and on the other. The bad news is you can't trade but the good news is you have 100 per cent surety and the cost of that is spread across the scheme so you weigh those two things up.

The second thing is we go back to the Water Management Act. In 1999 we were looking to make sure that people had their businesses protected and their rights but we weren't looking to creating water barons who were able to have water rights to trade. We weren't looking to make millionaires out of people through stumbling across water rights; we were really looking to manage the water properly. That would be my answer to it anyway.

Mr WILKINSON - That is a question that's been concerning me. It would seem to me that the major thrust behind the Water Management Act 1999 was to enable irrigators to properly irrigate their properties, not to give people who may have had a right to trade water that right to trade water. The major reason was for people who needed the water to farm to get that water. Is that right?

Mr WILLIAMS - That was my understanding when Alan Harradine and myself were intimately involved in the act and that was always the understanding that we worked on.

Mr WILKINSON - In the negotiations that you obviously had with farmers around Tasmania, that was their major concern as well? They weren't wanting this windfall of money trading in water, what they were mainly concerned with was to enable them to do their day-to-day farming?

Mr WILLIAMS - No. The push for trading is something that has come from COAG -

Mr WILKINSON - For sure.

Mr WILLIAMS - and it's very much driven by the Murray situation where there is keenness to move water from lower-value users to higher-value users and also to provide opportunities for the environment to buy water and those sorts of things. There was some reluctance when we were doing the act; some people were a bit unhappy about the idea of water rights being separated from the land, that it would devalue the land and it was the wrong way to go. The TFGA was involved and they were very nervous about people being able to accumulate water rights and trade them and so on.

Mr FLETCHER - The Hamilton town water supply, ex-Meadowbank, is beyond the arm of the Rivers and Water Supply Commission. That's a direct deal between the local municipal authority and the Meadowbank people?

Mr WILLIAMS - Yes, they manage it. They have their own water rights, as they should, and they no longer draw water. Once upon a time about 1 000 megalitres were notionally allocated to Hamilton. So that no longer needs to be provided. So that's where we are basically looking to tweak these things and the amount that's needed for Bothwell is probably not as great as has been build into the models.

Mr FLETCHER - Does the Rivers and Water Supply Commission have a policy with regard or have a commitment to the Water Management Plan and where is that? Does the commission have an opinion about whether there is some flexibility above the 10 000 megalitres licence on an annual basis to meet difficult years?

Mr WILLIAMS - Yes, I have read the Water Management Plan. We are not actively involved in that the process is under way and all the key players are involved there. But, yes, the Water Management Plan as we see it developing is okay. We can live with that. And there certainly are opportunities in those years for there to be more than 10 000. The lake levels and things are coming back from a fairly parlous situation and certainly the intention is not to get back into those areas again.

Mr FLETCHER - We've had certain submissions put to us that suggest that the annual take-out of Crescent and Sorell could be up to 15 000 megalitres a year. Does the commission have an opinion about that?

Mr WILLIAMS - The only opinion I have is through talking to the people who have been doing those models and I've spend time going through the models with them so I am aware of their views. And that gives us some comfort in terms of what we're looking at with the 10 000. But we haven't done our independent work. I've only talked to the same people you've had here before you. So we don't have an opinion other than we've listened to the best advice that's available.

Mrs SMITH - Do you support the concept of the transfer of acres to megalitres at 1.5? Does the commission see that as a reasonable transfer?

Mr WILLIAMS - I guess what I see as reasonable is that the amount of water people will get will be somewhere within the work that has been done by three groups. There is a principle. When you allocate water you need to be looking at the irrigable acres, the irrigable area of land available, and that's certainly been used by the commission in the past. The basis for Cressy was you looked at the irrigable land, you looked to the number of megalitres of water available and then you allocated water on that basis. Similarly at the Craighourne. So it's fairly well-accepted principle. Whether it's megalitres per acres or whatever is really the individual circumstances of the scheme.

Mrs SMITH - The committee B work here on the paperwork you've provided, at the end of it there's 12 892 megalitres that they allocated. Certainly evidence is showing that there is ample water if you use Meadowbank and the Sorell process to supply that water. Would you agree that is a fair and reasonable statement? In an average year, and we can only ever talk average years because we all have to give up something if there's a drought?

Mr WILLIAMS - That's at the upper end and I don't know that people necessarily use that much water.

Mrs SMITH - No, I accept that.

Mr WILLIAMS - We believe that once we allocate it and people are paying a fixed price for their allocation to meet the costs and then an extra \$5 or \$6 or whatever it was to use, we will find that we need to release less water out of Sorell and Crescent. We have only had one experience and we have only had our guy there for a while and I've only talked to him anecdotally but certainly his evidence is that you can run the thing a bit leaner than it has been and we have had that issue with Craighourne for a long time. We were only getting 50 per cent use of the water that we released because we were releasing too much and not getting the modelling right as to how much you need to release today to provide water down there, and we remain optimistic that we will be able to tweak that.

Mr ASHTON-JONES - Can I just add something there. The other dimension to all this goes back to your question to Mr Fletcher, about control and water allocation. It is getting tighter in the way you order and they way you enter and have a continuing dialogue with irrigators as the season moves against you. We are pretty experienced in that, particularly in the south-east where in the season we say, 'Right, we are a bit short of water; it looks as if we might be able to get 90 per cent'. One of the keys is to have a

good ongoing ordering/warning system which gives people time. We can give you water until you finish your poppies but it's going to be a bit short for your potatoes unless it rains. One of the keys which we have been experiencing, and the things that we will be implementing, is that ordering, forecasting dialogue process which helps a lot in this.

Mrs SMITH - But do you think into the future? Now that the Water Management Act has put it into a process of being able to trade water et cetera, it appears from my investigations into it that the big issue when the Water Management Act came up was that we were going to do management plans of rivers. We had to, as a first priority, ensure that environmental flows were activated and then we worked the process from there. If people follow that mode and people end up with water licences that are separate to their land title and that have a monetary value, do you still believe you are going to be able to do this twiggling that is talked about that's happened in the past, where people have, with a very good attitude within communities, said, 'Let some go downstream'? How will a commission be able to say that you can finish your poppies but halfway through the season you might not be able to finish your potatoes, when the principle of water allocation has changed so significantly?

Mr ASHTON-JONES - Peter might like to add to this but, in general it helps. Because not everyone always has a full demand on their water. So by being able to trade it they can sell it. At least in the short-term-type trading, that is the big advantage of being able to trade, because there are gaps you can fill by being able to trade.

Mrs SMITH - Precisely. So the individuals will be trading, not the commission?

Mr ASHTON-JONES - Yes.

Mrs SMITH - So it will be amongst individual parties?

Mr ASHTON-JONES - Yes, it happens already in the south-east irrigation scheme.

Mrs SMITH - And that's where I see the difference that is going to happen over time now. It is going to be individuals who have ownership of water and a title who are going to make a decision on trading on whatever financial basis, whereas in the past I get the impression that it has been an accommodation of sitting down to talk about what the situation is.

Mr ASHTON-JONES - There are two dimension, aren't there. One is what the irrigation operator can provide to the people with the water allocation and how much that is going to cost, either a short term or long term. And then the other one is the deal that's then done between the various allocatees or licensees and then they can do what they like with it. But the trading has to operate within the overall water availability.

Mr WILLIAMS - A lot of the trading is temporary rather than permanent. So a lot of people are happy to trade temporarily, two years or whatever, but not permanently. So that's an interesting issue. In a drought year, if you have 100 megalitre water right and you're only going to flood it onto some pasture and someone else has a poppy crop, you know who is going to be able to afford to pay the most for water and the water becomes available. That does happen; that water does move from one crop to another. Or if someone has a farm dam, with a bit of extra cost you can pump out of that and use that

instead of taking the water out of the scheme and flooding; you'll then sell your other allocation to someone who wants it for their poppies. And that's the thing that happens in the south-east. The scheme manager facilitates this, because the scheme manager is up and down the river and he knows who has water spare, what you might be able to do. It's surprising how effective the market is.

Mr ASHTON-JONES - And it does plug a few gaps. The other issue is the likelihood of a scheme being short of water or 10 000 isn't enough in longer run. The commission, as we've said, has a view at the moment that we could probably make some pretty reasonable allocation within what we think is the available water under the draught Water Management Plan. Then after that, if the commission or a new local board company is running it, there is a range of things that could happen. There could be further water development, a proponent for a new dam out of another catchment, or someone might want to put up some money on the base of entry into a contract with the scheme operator, or entering into a contract with individuals to buy water and using the scheme's infrastructure.

So there is a range of things where in the longer run - and we aware of some possibilities - the scheme could certainly get more water but the key thing now is whether they could get it by a range of ways, either by doing it formally through the irrigation operator and through the district or by entering into private treaty and going into an arrangement with the scheme to distribute it for them, which would be very low cost given the nature of this scheme.

Mr WILKINSON - As I understand the history of the allocations it seems to be from what you are saying, Peter, that when people are paying for their allocation they look at it through more of a microscope than they did previously?

Mr WILLIAMS - Yes.

Mr WILKINSON - Therefore, history has shown that there is more water in there to trade than previously?

Mr WILLIAMS - That is right.

Mr WILKINSON - And that's history throughout Australia?

Mr WILLIAMS - Certainly, yes.

Mr ASHTON-JONES - Generally speaking.

Mr WILKINSON - Over how many years approximately?

Mr WILLIAMS - It's relevantly recent; over the last five years or so. We know the number of transfers we are doing in the south-east; that's growing, there is a whole lot of those. People have their allocation and they realise they are not going to use it so other people buy them up. We're selling transfers every week.

Mr WILKINSON - So any person who is a bit hesitant about that really has just to look at history and say, 'We cannot do any better than the information we have before us at the moment -

Mr ASHTON-JONES - It's not all bad because sometimes you'll find yourself in a position where, even though you're paying for the water but you've surplus this year, you can offset the cost by selling it for the rest of the season. If you're short and I've got a few megalitres up my sleeve how about I sell you a few megalitres to finish your poppy crop? Thank you very much. It will be the same the other way around in another year in a scheme like this.

CHAIR - Just getting back to allocations again, hypothetically in regard to pre-1976 users do you think under the quantity of water available that it's possible to give them 100 per cent surety and those after 1976 perhaps a bit less surety? Is that a reasonable proposition?

Mr WILLIAMS - That's one model. The alternative is that you can reflect that surety by the quantum of allocation they get. I guess I have some hesitation for what is essentially a small simple scheme. If all allocations are for one surety, it makes it a lot easier scheme to manage. It also makes it, in a dry year, more of a scheme problem and a community problem to deal with it and so you can go into all sorts of other ways as to how you can manage it rather than just saying, 'Oh well, it's surety; tough luck; you're dead and you're alive.

1976 was not black and white. Those rights were not done as rights in saying you have surety and after that you haven't. It wasn't like that. They're all shades of grey. So I guess our first attempt would be to let that be reflected in some way in the actual quantum of rights that those people have, so then if you did have a 90 per cent they would effectively be a bit better off than the later rights.

Mr ASHTON-JONES - We've been debating this and the option that you put up is an option and Peter's right to look at seeing and understanding a system that is going to be the simplest, easiest and most efficient to manage in the long run. But if there is no way of fixing it in any way then that is an option that can be massaged. We're not trying to dodge the question but we don't know the answer to that. We know that there are feasible options on each side of those or in between both those.

Mr WILLIAMS - The trouble is there isn't a table that says these are the lower surety allocations and these are the highest. When you go through it it is not as black and white as that.

I guess we want to be able to hand something over to the new body or whatever that's simply and straightforward to manage. I'm told that the history has been that in a drought year there's been very good cooperation between everybody on this scheme. They treat it as a problem for the district rather than something that is dealt with by some people who are turned off and some people are left on. I see philosophically and socially that would be a fairly divisive policy but if you come down to that, well so be it.

Mr WILKINSON - You're saying, as I understand it, the waters are a bit muddy prior to 1976, because of some areas where the water was allocated but it wasn't paid for so -

Mr WILLIAMS - Wasn't used or whatever.

Mr WILKINSON - Wasn't used or wasn't paid for therefore it's not a contract anyway because there is no consideration and all this type of thing.

Mr WILLIAMS - That's right and now there's the equity of contributing to the ongoing maintenance of the scheme for many years as well. If people were paying for their rights whether they used them or not, you may well have some pretty strong arguments that those sleepers and dozers have very strong rights because you have been preserving the rights. But if you haven't been using and you haven't been contributing, your argument is weakened.

Mr WILKINSON - So what you've been endeavouring to do prior to the select committee is look at all the pre-1976, post-1976 history of use and then what you wanted to do was come to what you believe was the fairest allocation, I take it, by looking at all those aspects rather than just one or the other?

Mr WILLIAMS - In terms of the administrative decision-making process, I deliberately avoided making any decision about how much water people should get because you don't have all the information and you haven't let people make a representation. So we certainly haven't made any decisions about how much water people should get individually. What we said was that the work of committee B, version A, version B, committee C is work by people who were doing their very best in an honest way and that work is valuable and we're saying that it should be in between those things. But then before we set our minds to how much people should get, we asked people to write to us and tell us how much and why and only when we have all the information will we then be in a position to start weighing up those things and then go back to people and say, 'Collectively this is what we think. Is that okay?'

Mr ASHTON-JONES - That was quite deliberate and on the basis of good administration I think to do that and give people a chance to express it, so we didn't pre-empt things. But it was difficult, wasn't it, so we wrote the letter with some difficulty: We think it's going to be in this range and we want to reassure of that on the one hand. On the other hand we don't want to make the decisions yet because we want to hear what you have to say'. So it was quite difficult. So that's generally what we were trying to do and that's why the letter was written the way it was.

Mr FLETCHER - Mr Williams, you seem to suggest that the waters were muddied because certain people didn't pay, or used and didn't pay, or didn't use and didn't pay or the sleepers didn't make any contribution. Do I assume from that you are advising the committee that the Clyde Water Trust sent out accounts every year, requesting payment, and those accounts were not paid or were ignored by the irrigators? Was it as formal as that?

Mr WILLIAMS - It seemed to me to be a fairly casual process of how much you paid. It seemed to be very much reliant on self-assessment as to the amount of water you used, depending on people's electricity meters and all sorts of things like that. So it was relatively informal. But it had worked for 100 years so who is to criticise something that worked for 100 years? But it was a less formal process than we've had to use in other

schemes and what you probably need to use in the future. I wouldn't criticise it because it worked. But it won't work in the future, I believe.

Mr FLETCHER - You and Mr Ashton-Jones have endeavoured to enunciate what you believe will be a program for the future and I think we are here discussing this matter because there is somehow a lack of trust or a lack of belief or people are uncertain about the future and saying, 'These people might say these things but we believe we have certain rights now, how do we know those rights are going to be preserved and how do we know they are going to look after us?' So there is this air of uncertainty generally. And so it's a matter of moving forward. From my perspective at least we have polarised submissions putting very strong points of view and I don't have a capacity to make judgments in relation to those. If it goes to the end game, as in the Supreme Court of Tasmania or beyond and the legal matters now, it seems to me that the unspoken word almost is that no-one wants to go there really and they want to find some consensus. Bearing in mind that the proposal you have put forward, which I thought was not an unreasonable one, hasn't been responded to or has only been responded to by a relatively small number of participants, does the commission have a plan B or do you have suggestions about how we might move forward from there?

Mr WILLIAMS - I guess at the time when we put that out, we had been given the job by the minister that was the best way we saw to do it. I guess if I was uncertain about the outcome and felt that I might get a better hearing et cetera, not to participate in the process that the commission embarked on was a reasonable game plan, but if at the end of the day the Legislative Council says this is the process and we are going to get either the commission or somebody else to do it, once that process was anointed I think you would be a little bit silly as an irrigator not to participate in that process.

So I guess we and the irrigators will be looking for two things. There will need to be a process defined unless the Legislative Council committee does it itself, which would be a good solution, or they will need to say what the general principles are of a process that is going to get you the answer. They will need to say that these are the people we want to do it, whether that is the commission or somebody else or a council. We are not passionate about it; we're very happy running the Rivers and Water Supply Commission and the Clyde. We are happy to do that because the minister asked us but it is not core business for the commission at all. We are happy to use our expertise if we can help but at the end of the day, if it's decided we are not helpful or we are not going to be any use, we are quite happy to walk away as well.

In terms of whether you trust us or not, we had some pretty vigorous debates with the Cressy people and with the Winnaleah people as we moved towards self-management but, at the end of the day, I think if you go and talk to those people they will say, 'Yes, the commission is a bugger at times and were a bit hard on this', but at the end of the day they were happy to walk away with a deal, as we were.

Mr ASHTON-JONES - Yes, the sort of proposition that we have been suggesting, because that is what we've been thinking about until now, is one that comes from our experience and from our wish to make a valid contribution, since we've been asked, as Peter said, to help sort out this problem. I think, personally, that something like this would have to be gone through no matter who does it. It seems to be pretty logical to say, 'These are the

sorts of parameters; why don't you know tell us what you think. Then let's have a negotiation. Now it's time to make up our mind', or something like that.

Whatever anyone does it seems to me it is going to have to look a bit like that and that is the way we chose to do it. We are happy to either help or not help as the case may be. That's where our board was and we've certainly had strong intentions. We understand the lack of confidence and I think this process hopefully can inspire some confidence in whatever comes out to it and that is the one very important factor here.

Mr WILKINSON - It's always a concern of the unknown, though, isn't it?

Mr ASHTON-JONES - Yes, exactly. That is why to get something known you have to put up something first; you have to start somewhere and that is what we were trying to do. I think, no matter who does it and no matter what process, it's going to have to look something like that because that's just the way things like this have to work.

Mr WILLIAMS - There are fourteen different categories, I think, on that committee B thing concerning different responsive levels, which makes it not a simple formula to arrive at an answer.

Mr WILKINSON - My boy, completely off the point, was in middle America earlier this year. He had just finished his law and commerce and he was talking to a lawyer in that area. He was a water lawyer and he said to him, 'If I was you I'd get admitted over here and get into water because that's where the money is' - and that's an American.

Mr ASHTON-JONES - It's the same thing emerging here.

CHAIR - Any further questions from committee members? I thank Mr Ashton-Jones and Mr Williams very much for their evidence.

THE WITNESSES WITHDREW.