



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE B

Tasmanian Irrigation Pty Ltd

Wednesday 30 November 2022

MEMBERS

Hon Rosemary Armitage MLC (Deputy Chair)

Hon Jane Howlett MLC

Hon Tania Rattray MLC (Chair)

Hon Rob Valentine MLC

Hon Meg Webb MLC

Hon Josh Willie MLC

WITNESSES IN ATTENDANCE

Hon. Jo Palmer MLC, Minister for Primary Industries and Water, Minister for Disability Services, Minister for Women, Minister for the Prevention of Family Violence, Deputy Leader in the Legislative Council

Ms Samantha Hogg, Chair of Tasmanian Irrigation Pty Ltd

Mr Andrew Kneebone, Chief Executive Officer of Tasmanian Irrigation Pty Ltd

Mr James Hipwood, Chief Financial Officer of Tasmanian Irrigation Pty Ltd

PUBLIC

The committee met at 4.31 p.m.

CHAIR - Welcome minister and we very much appreciate your time this afternoon with your team for Tasmanian Irrigation. You certainly know the team at the table. I do not think there is any need to introduce any of us. I invite you to introduce your team at the table. You have a brief opening statement, I believe.

Ms PALMER - I do and I will introduce my team as part of my opening statement to keep it nice and tidy and concise for this afternoon.

Thank you very much, Chair. I welcome the opportunity to be here to talk to you about Tasmanian Irrigation and its activities.

It has been a really successful year delivering over 60 000 megalitres of irrigation water to Tasmanian farmers across 2021 and 2022. This is an almost 6 per cent increase on the previous year. We saw water delivered to almost 1000 Tasmanian farmers across approximately 10 per cent of Tasmania's land mass. This water of course, supports growth right across our agricultural commodities, including fruit and vegetables, that is also cropping, dairy and livestock and, of course, wine.

We have a very ambitious target as the Government to increase the farm gate value of our agricultural sector to \$10 billion by the year 2050. Of course, irrigation place such a pivotal role in achieving this goal that high assured irrigation water has given and continues to give farmers so much confidence when it comes to expanding; confidence in diversifying; and also of course, the opportunity to employ more people.

As captured in Tasmanian Irrigation's annual report, highlights for the 2021-22 year included all schemes offered full allocation for the season. We saw construction commenced on the Don Irrigation scheme and water sales viability threshold were achieved on the Greater Meander and Sassafras Wesley Vale augmentations. Detailed design progressed on the Northern Midland Irrigation Scheme project. All environmental surveys and monitoring programs were completed and showed no discernible impact from Tasmanian Irrigation's activities. There was zero lost time injuries and zero total injury frequency rate. Pretty good dot points there.

We do have a really great success story with Tas Irrigation. It is that unique partnership between private and public collaboration. We see the Tasmanian Government working with the Australian Government, working with our farmers and our land owners. What that has actually enabled is 15 irrigation schemes to be constructed around the state, as well as planning to be well advanced on a further six irrigation projects.

I am proud and excited by the work that Tas Irrigation has carried out and continues to carry out. I congratulate and sincerely thank our CEO, Andrew Kneebone, and his team for the achievements they have made during the year. We are also delighted to have our Chief Financial Officer, James Hipwood, join us. It is great to have you here too, James. I take this opportunity to pay tribute to our Chair, Samantha Hogg. Samantha has been our Chair for six years and she is stepping down in the next few months. I am going to miss her. She's been a great support to me as I've learnt my way through Tasmanian Irrigation (TI) and all the ins and outs of it. She has overseen a vital chapter in water delivery and in infrastructure development and she has been a great asset to TI. I appreciate the opportunity to recognise her in this forum.

CHAIR - She has certainly been a constant. Congratulations.

Ms PALMER - She has; and she will be missed. Thank you, Chair, and I am in your hands.

CHAIR - Thank you, very much. I invite the city-based member for Hobart to commence the questioning.

Mr VALENTINE - Do you suggest it's going to be tough questioning?

CHAIR - No. I don't know what you're going to ask. You don't share.

Mr VALENTINE - Thank you, Chair. Over the period 2019-20 to 2021-22, total equity has declined from \$40.56 million to just \$5.009 million - that's on page 49 if you are looking for that figure. Over the same period, Tasmanian Irrigation has recorded consecutive losses of: \$14.95 million in the 2020-21 report - which is on page 44; \$43.055 million; and \$18.14 million; and its accumulated losses have increased from \$258.37 million to \$319.57 million. That's a significant amount of losses; and when you are looking at the total equity - it is down to \$5 million. Give some comfort to the people out there that you remain viable.

Ms PALMER - Thank you very much for that. I am going to pass that over to Andrew.

Mr VALENTINE - Sorry, minister, I should have gone through you.

Ms PALMER - No, it is absolutely fine. James, you thought you may not be a numbers question but it's the first cab off the rank.

Mr KNEEBONE - First, certainly we can take comfort that we remain viable. The business model that Tasmanian Irrigation is established on is one of full-cost recovery, and full-cost recovery only. We don't make a profit and we don't return dividends to the state. That's all enabled to keep the cost of irrigation water as low as reasonably practical for our supplies.

What that means from an accounting sense is that for every dollar that we invest in building a new irrigation scheme, because there is no profit being generated the accounting says there is no future value to that so, therefore, it is written off straight away. Our accumulated losses are really a combination of what we call 'asset impairments' where we've built an asset and we've immediately written it off - so, it has a zero value on our books - and accumulated losses, from where we've spent money developing irrigation schemes or incurring overheads which are not recovered from irrigators; they are actually funded by the public purse and we have specific funding from Government. In a profit and loss sense, and I'll let my more learned colleague fill in the details about this, it means that we do make and we constantly make losses; but from an operating sense we essentially break even, and that's the aim. Every year on our operational side of the business, we break even, and that is sufficient.

James, do you want to add anything?

PUBLIC

Mr HIPWOOD - The only couple of things I will add is to the specific questions on the losses over the last couple of years - that relates to the Scottsdale Irrigation Scheme. As Andrew said, because we don't look at making any profit, there's no cash based accounting. This is basically accounting treatment to write those assets off to nothing. But your question is really important - that we are viable but we're here to deliver. We have \$240 million from the state and federal governments going forward for projects and for things like grant funding for project overheads. We are heavily reliant on government funding, and we have that funding to do what we have been asked to do.

Mr VALENTINE - At the end of it, when you don't have any more projects, how is the company going to survive?

Mr KNEEBONE - That is a key issue for the organisation and one that we are very conscious of; but it means that the organisation has to shrink back. We effectively have two lines of business. We have an operational side of our business which operates 18 irrigation schemes across the state. Every one of those is separately accounted for and is run as its own business unit. We balance the cash flows on every year; we set their prices every year; we balance their cash flows every year; and now we have also structured the organisation so that there are set resources that are allocated to that side of the business.

The other side of the business is our program development and delivery. Effectively, when we stop building projects, that side of the business falls away. The management structure of the organisation would have to be restructured and brought back to a fit-for-purpose size for the organisation. But, at the moment, we are running two lines of business. There would have to be a restructure at a point in time; and we are very focused on ensuring that we have an appropriate cost recovery model that allows that to happen. What the governance model is at that point in time, no one knows at this point.

Mr VALENTINE - There are people saying now that the water is expensive water. How can you guarantee that you are going to get enough customers to stay in the schemes if there is no government subsidy coming in?

Mr KNEEBONE - There is no government subsidy on the operational side of the business now. We have contracts with people who are taking water in each of our irrigation schemes. As a part of that contract, they undertake that they will pay the fixed and variable charges associated with those and, as I said, every one of those is run as a completely separate business. There is no business unit, there is no cross-subsidy between the Duck River scheme and the Sassafras Wesley Vale scheme. The only cost that is shared are our overhead costs.

Mr VALENTINE - At the moment you have 985 irrigators and the accumulated losses are \$319.57 million, so the average lost to date is about \$325 000 per irrigator. That is a significant amount of money and almost, one could say, a direct subsidy to each of those irrigators.

Ms HOGG - The point that is being missed is that; in running each of the schemes, there is no loss. Once a scheme is operational, it is cash flow neutral. What it costs us to run the scheme, we will receive from the irrigators. When there is no construction side of the business, there will be none of these large losses. They are coming purely from this accounting treatment which is not intuitive, we all struggle with it; we build something and we immediately have to recognise a loss for that, what we have just built. That will disappear.

Mr VALENTINE - In effect, really, we are saying \$324.5 million is a gift from the state to the industry? They are not losses that can be recouped, are they?

Ms HOGG - No, they are not losses that can be recouped, but it is not all Government money, because, the capital contribution from the irrigator when they purchase a water right is also written off in that number. It is a function of accounting; it is not intuitive; it doesn't really make logical sense. As both Andrew and James have said, because we are not earning any money, because they are profitably neutral, that means there is no value on our books for owning these assets. Even though they are physically there, it is just an accounting treatment.

Mr VALENTINE - Can you advise for each scheme so far developed, the finalised capital cost and capital cost contributed by irrigators, via the purchase of irrigation entitlements? There is some data on page 68 of the report. Can the information be provided on both a per megalitre basis and a total for each scheme. I will send it through as a question on notice. The other question is, can you identify what proportion of irrigation entitlements in total and within each scheme are held by individuals and companies which do not have any direct investment in agriculture within the scheme area? I will send both of those questions through, you do not have to answer them now.

Mr KNEEBONE - I am happy to take them on notice. Some general points I would make is, in the first offer of irrigation water, you must have an interest in land or, to be able to purchase. There have been only been a couple of small exceptions made to that and that would have been the Midlands scheme and the Lower South Esk scheme where there was an actual investor sought in order to get the scheme to its threshold.

CHAIR - Scottsdale was the Dorset Council?

Mr KNEEBONE - Dorset Council was Scottsdale.

CHAIR - Just helping you out, Andrew.

Mr KNEEBONE - There are still landholders in the district. Because we are established under national water initiative guidelines, as soon as we sell it to an irrigator buys it, or a farmer buys an irrigation entitlement, they are free to sell it to whomever they like.

CHAIR - They are tradeable.

Mr KNEEBONE - They are tradeable. They are not connected to land. They are connected to the use of where you can take it, because it is limited by the scheme and by the scheme infrastructure. It can only be delivered within a component of the scheme or what I call a tradie's own.

Mr VALENTINE - Is that a fair thing given such heavy investment the state is putting in get the schemes up and running in the first instance?

Mr KNEEBONE - It is one of the conditions of getting the federal component.

Mr VALENTINE - It has to be available to anyone in the nation.

PUBLIC

Mr KNEEBONE - No, when they are owned by somebody, they are tradeable. They are owned, they are an asset that is owned by an individual, trading, farm or farmer, that they can sell it to whomever they like. There is no restriction on who they can sell it to. But if you are going to derive value out of it, you have to use it for agricultural purposes.

Mr VALENTINE - Quite clearly, you have to be able to use the product.

CHAIR - I am interested in what impact on TI there will be given that it has not stopped raining for weeks and weeks. There possibly will not be as much call on some of those water entitlements. How does that impact TI's business?

Mr KNEEBONE - Because we establish ourselves as full cost recovery there are two components for operational charging. There are fixed charges and there are variable charges. The fixed charges cover the fixed costs of operating the scheme. They are things like we employ people, insurances, vehicles, rates and taxes, those sorts of things. Another component of the fixed charges is what we call an Asset Replacement Levy. That is a cost of the future replacement of assets as they wear out. That is recovered upfront, kept in a separate bank account, ready so we have the cash, ready to replace any assets that wear out as they go.

The point of your question, though, the variable charging, again is only to recover the cost of water we purchase and provide. If you are not purchasing it or providing it, it is not costing us anything. There is no disbenefit from having a very wet season, other than obviously the asset is not being utilised to its capacity. The fixed charges are levied on the basis of the entitlements that are owned, not by the amount of water that is actually delivered. The variable charge is by the amount of water that is actually delivered.

CHAIR - That is fine. I thought it was a relevant, given it has not stopped raining.

Mr KNEEBONE - You are not the only one to ask the question.

Ms WEBB - I have some questions on environmental monitoring. You mentioned in your opening comments, and as I saw on page 22 of the report, that phase of monitoring a survey results were indicating no discernible impacts on water quality or aquatic health. It mentions some monitoring activities that are undertaken by your team, who are also mentioned. What is the visibility and public accessibility of the environmental monitoring programs undertaken? How is that available to be looked at and to be seen from the outside rather than, obviously, taking it on faith from your report?

Mr KNEEBONE - We undertake weekly observations around the irrigation districts according to a regime that is established as part of the approvals of the district. That would be taking water quality samples from sites that are adjacent to the irrigation district in rivers away from the district, but not immediately impacted, so you have reference etc. There are 103 of those done weekly across our 18 schemes.

Every year we then summarise the results of those and put them in what are called Water Entity Reports. They are submitted to the minister and to the department as part of a condition of us undertaking these works. There is other monitoring we do including ground water and other that are summarised in those Water Entity Reports. We are also in discussion with Natural Resources and Environment, in respect of providing that data direct to their water

PUBLIC

portal. Some of it goes directly to in terms of flow and those sorts of things. They get a direct data flow that get uploaded into their water portal.

We are now also in discussion with them in terms of providing other data points on particularly the surface water analysis that will go into that. At the moment they are summarised in an annual report and known as Water Entity Reports. There is one for every irrigation district.

Ms WEBB - In terms of public visibility of those things, is the Water Entity Report made publicly available as well as provided to the department?

Mr KNEEBONE - We do not make it publicly available, no.

Ms WEBB - Did you previously make it publicly available?

Mr KNEEBONE - I do not believe we have, no.

Ms WEBB - That is interesting. In terms of the other monitoring, you said some goes to the water portal and there may be further elements added to that. That is a publicly available portal?

Mr KNEEBONE - That is absolutely public.

Ms WEBB - Whose decision is it, in terms of what may be added to that public visibility of the monitoring data?

Mr KNEEBONE - We have no issue in terms of making the information publicly available. It is a matter of automating it so that it goes directly to a portal. It is a matter of data management. What we would get at the moment is a report from a lab that says, here are the results. You do not necessarily get them in electronic format to be able to immediately upload them or directly link them to the portal. What we are talking to the department about is, how do we get a direct data link, and get it in a form that means there is not a lot of re-work to immediately put that up. At this point in time we do not have other means of making that immediately publicly available.

Ms WEBB - Back to the question, whose decision is it of what elements might be made publicly available once a way to do that is identified and progressed?

Mr KNEEBONE - I do not know the answer to that question, to be honest.

Ms WEBB - Is there any reason you would not make your Water Entity Reports available publicly, as well as provide them to the department?

Mr KNEEBONE - We would just talk to the minister and the department and determine if there is a reason. I am not sure there is a reason we would not. We have provided that information under RTI, I think, previously. I do not believe there is any -

Ms WEBB - It would seem like a positive thing to provide into the public domain, given we know RTI of course is available, but the idea would be, with the RTI legislation to push

PUBLIC

information out rather than people having to drag it from the outside. That is just a suggestion I think would be of interest. Can I ask -

CHAIR - One for the minister, in the new year.

Ms WEBB - Yes, indeed. These are all public waterways and things, ultimately, the river systems and so public information about monitoring that's done is a really positive priority.

CHAIR - Do you want to ask your TasWater one now?

Ms WEBB - In relation to the irrigation scheme, yes, I can move onto that. There will be a couple in that set. I'm interested in the extension of the South East Irrigation Scheme and the plans for that. I understand that it is their intention to take water rather than where the current scheme takes water below Bryn Estyn, it's now to take water above from Lake Meadowbank, in an arrangement with Hydro. Is that arrangement with Hydro documented and finalised in a way that we could see and access?

Mr KNEEBONE - No, not at this point in time. What we have is an in-principle agreement. We haven't finalised what the proposal is in respect of that yet, because we haven't finished what we call our water sales process. So, it's when we finish water sales and we have the contractual arrangements in place with our irrigators that we know the final scale of the scheme and we know the volume of water that we will need to access. We've sought an in-principle agreement from Hydro in respect of - theoretically - if we had a 38 000 megalitre scheme, could we get 38 000 megalitres reliably out of the Lake Meadowbank storage without impacting any of the other irrigators and their environmental obligations in passing flows. The answer came back, yes, we could. But, it's an in-principle agreement. It's not formalised. We would normally formalise that in a water supply agreement when we have certainty about the project proceeding, and the final volume, and the capacity of the scheme.

Ms WEBB - The environmental assessment of the viability of taking - say, that 38 000 megalitres out of Lake Meadowbank - that environmental assessment has been done by Hydro?

Mr KNEEBONE - We would understand that they need to make an assessment about the reliability, and the impact on the environment and all other users. That's generally what they do. We go through that process with them and they come back to us with a decision, yes or no, it's available.

In terms of the volume, we're talking about it's something like 2 per cent of the total volume that goes through Lake Meadowbank on an annual basis. That volume is taken over a six-month period, or a 150-day period. It comes down to a certain number of megalitres per day that is extracted. It's not all just taken in one big lump.

Ms WEBB - Sure. It is over the summer though, and we do know that scientific indications - I think from studies in 2002 - indicated that there should be no further extraction during summer flows from that Derwent system. I'm interested to understand - and again it sounds like it's not Tas Irrigation's responsibility, it's the Hydro. I'm keen to confirm who's responsible for determining the environmental suitability of that? Is it your understanding that it's definitely Hydro?

PUBLIC

Mr KNEEBONE - It's between Hydro and NRE would make that call. I will make the point, this is not taking water out of the lower reaches of the Derwent. It's taking it out of the Lake Meadowbank body of water.

Ms WEBB - Yes, but flows have to come from there.

Mr KNEEBONE - Yes, but the environmental flows that are released daily from there are not impacted by this. In fact, we would actually have licences from the lower Derwent that would not need to be used if this goes ahead because we currently take our water from the lower reaches of the Derwent under licence, or TasWater does on our behalf.

The actual environmental releases and the volume that would be released through power stations would be minimally and marginally impacted by this particular scheme.

Mr VALENTINE - I have a supplementary on that. We both come at this but we haven't talked about it at all. There's a report *Temporal and Spatial Patterns in River Health across Tasmania* - an NRE report. It says in here, at a broadscale, agricultural land use, particularly stock-grazing, water electrical conductivity, salinity and water use, capture and extraction of water from drainages, are associated with poor river condition, whereas conservation land use is associated with healthy river condition.

Have you done any work as an authority on the effect of this broadscale irrigation on the land itself and the salinity levels that might be rising in that profile? As we travel through, say, towards Ross and around Tunbridge -

CHAIR - Green everywhere.

Mr VALENTINE - Yes, but what I'm getting to is that around Tunbridge you've got lots of dead trees in the landscape. For years and years, it was to do with putting on superphosphate and all the rest of it. What I'm concerned about is over time, with such broadscale irrigation happening across the state, that we end up with a situation where the land is actually damaged. I'm wondering whether you do any research in that regard as to what effect irrigation is having on the base product where people are growing their crops? Have you done any work on that?

Mr KNEEBONE - There's a couple points that I would raise. Tas Irrigation is not the sum total of irrigation in the state.

Mr VALENTINE - No, I appreciate that; there are private rights.

Mr KNEEBONE - We probably account currently for about 10 per cent of the irrigation water that is utilised in the state, at 133 000 megalitres. The broadscale environmental monitoring program that we were talking about before is aimed to understand the implications on the broader environment from the application of irrigation water. That's why we are trying to see whether there are impacts in water quality in the receiving environment, in the rivers, in groundwater. That's the purpose of those.

Mr VALENTINE - Clearly, that report says there is an impact?

Mr KNEEBONE - That is a broad statement across the whole state, not associated with Tasmanian Irrigation specifically.

Mr VALENTINE - Just a part thereof, I understand.

Mr KNEEBONE - The major difference, and this is a major difference with Tasmanian Irrigation schemes is that we have a process known as farm water access plans. Now, farm water access plans are the agreements with each irrigator about where and how they will use their water with the view to not have a detrimental effect on soil quality; to protect native and threatened species, on and adjacent to their properties. We audit those every year. It goes to the amount of water that can be put on per hectare under certain crop conditions, et cetera, and it is all there to ensure that this is sustainable irrigation development. There is no point in us putting this amount of money into public -

Mr VALENTINE - You would cruel your own pitch.

Mr KNEEBONE -Yes, so we sell irrigation entitlements nominally for 100 years. We want these schemes to be operable for 100 years. This is - I used the term in scrutiny last year - I believe the gold standard for environmental protection and sustainable application of irrigation water into the landscape. Not everybody who is in an irrigator has a need to have one of these, but if you're an irrigator on a TI developed scheme, you will need to have, and you must have. It's a condition of your getting water: you must have a farm water access plan, and you must abide it. We audit those every year, 10 to 15 per cent of them every year.

CHAIR - I have a supplementary on this, and we have to tighten our answers. I know you are passionate about it, Andrew, but I am passionate about keeping on time.

Ms WEBB - In relation to the farm water access plan, why are they not in the public domain also?

Mr KNEEBONE - They do include personal and private information, that is part of it. We provide an annual report to the minister in respect of the audit findings, but it's a -

Ms WEBB - Is there any reason, surely, if personal information is contact details or address, that could be redacted. Is there any reason not to put that the bulk of it, the content of one of these plans, in the public domain?

Mr KNEEBONE - I am not sure if there are any other regulatory reasons why we couldn't. I would need to take that on notice and come back to you, but it has effectively been that they are personal agreements with an irrigator. They include their land details and all of those sorts of things, so we do not actually release the documents. They are a personal and one-on-one agreement between TI and the irrigator. The results of the auditing and the results of the impacts, I would need to take advice if there are any impediments to releasing that.

Ms WEBB - Given they are a fairly key compliance tool, in terms of environmental impact and outcomes, I would have thought that would be appropriate information to have available to the extent you can.

Ms ARMITAGE - My question is to the minister. I notice on page 9, further work on the Tamar Irrigation Scheme is underway after water sales applications did not meet the threshold. Could I have an update, minister please, on the Tamar Irrigation Scheme as obviously, there has been a delay to the scheme.

Ms PALMER - Yes, certainly. I will pass over to Andrew but I will make a few comments about that. It is a very exciting scheme if we are able to get it up and running. What happened with the water sales is that when we went out to expressions of interest, there was over 15 000 megalitres, that was the feedback that we got, that people up the West Tamar and East Tamar, those areas on either side of the river, had put their hand up to say they were interested in this scheme. When it went out to water sales, there was quite a considerable difference between the expressions of interest and then people who were actually prepared to put their hand in their pocket and sign a contract.

Mr VALENTINE - Where the rubber hits the road.

Ms PALMER - It is, the water sales actually ended up closing at 5500 megalitres. It just was not viable. We did extend the amount of time on water sales to give a bit more of an opportunity for us to sell the product, to go back to those who had shown an expression of interest. The scheme is now under review. We would love to see this scheme get up and running but it is a business and it has to be viable. There is a bit of work that needs to be done there, Andrew, you might be able to add to that.

Mr KNEEBONE - Certainly, we are looking at options associated with the delivery of this scheme. The reason we went with the size scheme we went with, it is a balance between affordability, what the ongoing operating costs are and affordability from a capital perspective. To service the area we had expressions of interest in, we could not make it work at a smaller volume. We went with this volume of 24 500 megalitres, which allowed us to put an irrigator price of - from memory - \$2400 a megalitre, something like that.

CHAIR - An expensive one.

Mr KNEEBONE - It was expensive, but it was a lot of pipe, it was a big long 240 kilometres of pipe or something in the whole thing. Given we now have offers to purchase of about 5400 megalitres, we are trying to examine about what we can do to service those, but still have a viable scheme and build it for the amount we have offered for.

The \$2400 a megalitre, we will raise 25 per cent of the total capital and it still has to be economic. It really has failed its water sales. Even at the smaller volume, we have an option at the moment, we are looking at about 10 000 and 12 000 megalitres, we still have less than 50 per cent of the total volume sold. We would normally want to get between a 60-70 per cent of the water sold upfront to know you have a viable scheme.

We are now trying to either go back to the market and see if there are more people interested in buying to get it up to that level, but also, can we deliver it for the amount of money we will end up raising?

CHAIR - Have you given the Fingal community the same opportunity?

Mr KNEEBONE - The Fingal Scheme really did not even make 1 per cent of its threshold. There was virtually only two or three people who actually put contracts in to purpose, it got nowhere near- it is still there as a scheme to be revisited. We have not officially called time on that, but the Fingal Scheme was really in our view the system worked, because you only put public money in where the irrigators cannot do it themselves. In effect, what

came out of that was the irrigators could probably do it cheaper themselves. There was no need for public money to make that scheme work, because they could do exactly what we are going to do: they were going to harvest it during the winter, pump it into their own storages; instead of us doing that, releasing it into the water and then suffering losses and then having to pump it and put it into their own storage. The model, whilst all the intent was good, it had a fundamental flaw which really became apparent at water sales.

Ms HOWLETT - Minister, I understand the Government has provided funding through the Energy on Farms Grant Program. Can you please tell us how this is going to help Tasmanian irrigators?

CHAIR - We are giving them water and now we are giving them energy relief. Cheers.

Ms PALMER - I am going to get Andrew to give you the details of that, but it is a very exciting part of what TI is doing. We now have solar panels that are going in at our pump stations; we have an upgrade of high efficiency pumps; and the mini-hydro at Meander, Deloraine. It is a really exciting space and we are looking at trying to harness all of those opportunities.

Mr KNEEBONE - Energy on Farms is not really about energy on farms. It's about us reducing the cost of providing water to irrigators through energy developments. As the minister rightly says, there are three components to this - there is the refurbishment of the Meander mini-hydro and that will give it a 12-year life extension. That means all of the revenue that will come from energy produced there goes to assisting the Meander irrigators, and the cost of operating the dam, and anything that is left over is then provided across the board to all irrigators through cost reductions. The solar plants we're putting in at a range of pump stations - I think there are 12 pump stations across the state - they're aiming to deliver savings of between \$5 and \$9 a megalitre, in terms of avoiding purchasing power from the grid. We will be able to run the pump stations off those energy sources. If there's any excess we sell it to the grid. The third one is an investment in some additional high-efficiency pump motors in a range of pump stations. About \$400 000 is being spent on that and, again, the benefit is between \$1 and \$2 a megalitre in terms of permanent reduction in operating costs, which go directly to the irrigators because it reduces the cost of the variable price of their water.

CHAIR - What happens to the surplus pumps?

Mr KNEEBONE - The surplus motors are kept as spares in case they wear out. This is a way of bringing forward the replacement of those and putting in more high efficiency ones than were originally purchased.

Mr WILLIE - When can landowners and the public expect an update on the redesign of the Tamar Irrigation Scheme. We have had a little bit of information today. Is hydrogen now key to that being viable?

Ms PALMER - As a primary industries minister, I'm very keen to get this scheme up and running. We are certainly open to looking at all different options. Although that water sale was still quite low at 5500 megalitres, the land owners and the farmers who did put their hand in their pocket are very keen. They really wanted to see this go ahead and we would love to see it go ahead as well. There has been discussion and nothing is on or off the table on how

this can be better worked; whether we have to look at doing a smaller scheme or whether there are other opportunities available.

I do know that ReCFIT is working to progress a range of water supply solutions to service Bell Bay and TI has been in discussions with TasWater about that. There's a possibility that if that did come to fruition, it could make a huge difference, and we could see this scheme come up. At the moment, that's just in a discussion phase.

The reality is that we have to work with the facts that are on the table. The facts that are on the table are that the water sales didn't make the threshold for it to be a viable scheme. About 24 000 megalitres, wasn't it? We're certainly not walking away from this in any way. We want to see it go forward and we are having those discussions.

Mr WILLIE - A follow-up, minister, before you hand over. If you do go down that path with hydrogen, do you have to change the legislation to facilitate that?

Ms PALMER - I understand there would be a need for legislation to be changed. There's a lot of moving parts and a lot of things that have to be looked at. As a Government, we want to progress green hydrogen. We want to support our agricultural industry. If the two can come together and complement each other that would be a great win. But there is a lot of work that has to be done. Those discussions are starting now; we're having a look at that now. We want to do everything we can to get this scheme up, if we can. If there can be a win-win situation, that would be fantastic. But there's a process to go through, and there's a lot of work that has to be done. My understanding is that would include work with legislation.

CHAIR - Is there anything that needs to be added?

Mr KNEEBONE - I'll just make one point. In terms of the communication, we're in constant communication with our irrigator representative committee, and irrigators in the district in respect of what we're doing, and how we're going about it, and what the options that are being examined. That is a constant process. It's not that we've finished water sales, we've stopped talking to people. It is a constant process.

Mr WILLIE - There aren't clear time frames if those discussions are ongoing. I've got some questions about the Northern Midlands irrigation scheme. Have you considered using the Hydro reregulation pond to provide water to the scheme, and has Hydro told you that it's not possible to use the reregulation pond?

Ms HOGG - Yes, the reregulation pond was looked at, as a potential way of providing the storage that is required for the Northern Midlands. In the way it's currently structured, that regulation pond and the many users that currently use it, Hydro Tasmania have told us that we aren't able to use it for the Northern Midlands scheme.

Mr WILLIE - Right. Tas Irrigation is looking at compulsory acquisition of an irrigated farmland from a landowner near Cressy for the construction of a dam on the Northern Midlands irrigation scheme. There is a state-owned dam four kilometres away, which is suitable for TI to source water from. Why is TI looking to unnecessarily spend taxpayer money on a compulsory acquisition when there are suitable alternatives?

PUBLIC

Ms PALMER - I will get Andrew to address that. I will say that compulsory acquisition is 100 per cent the last resort. Nobody is aiming for that at all and, as the minister, I don't want it to get to that. My preference is that we have really healthy and sensible negotiations. To be fair, you need two parties to come to the table for those negotiations to take place. Sam and I have had many discussions, as I have with Andrew, about how TI moves forward in that space. I've also had discussions with other parties about how I would love for them to move forward in that space as well. You know the old saying, 'it takes two to tango', and of course it is the absolute preference that there is an opportunity to have those really good negotiations and to get an outcome that is good for both. And that's certainly what we are -

Mr WILLIE - That's to use a state-owned dam, is it?

Ms PALMER - I beg your pardon?

Mr WILLIE - Is that to use a state-owned dam?

Ms PALMER - That is the reregulation pond. That has already been ruled out.

Mr KNEEBONE - A point of clarification: there is no proposal for compulsory acquisition as we sit here today. We have not made application. We are not seeking to make application. We are very much trying to negotiate this between the two parties, in collaboration.

Mr WILLIE - Collaboration, yes.

Mr KNEEBONE - That is that point. The need for an additional storage though is based largely on how Poatina Power Station operates. It and our ability to provide reliable water using, and coinciding that with the way that power station operates. We need the ability to harvest at least five days of supply, four or five days of supply, to allow us to ride through those times when the Poatina Power Station is not operating and there is no water in the tailrace.

Ms PALMER - Because of that 95 per cent surety.

Mr KNEEBONE - Because of that 95 per cent surety.

CHAIR - Which is a requirement under any of the scheme.

Mr KNEEBONE - When the scheme was only 8000 or 13 000 megalitres it might have been possible to use a re-regulation pond. It's now 25 000 megalitres. The volume is now significantly greater and therefore the reliability is much more critical and much more in-sync with how Poatina Power Station operates. It is a major concern and that why this re-regulation pond is just simply not big enough. There are many calls before TI on that water. It is there for a purpose. There is a range of people who take water out of it and we cannot be seen to have a detrimental impact on that. We need a water supply arrangement that allows us to only capture water when everyone else's water has gone past, in effect. That is why we need a separate storage. It is really a result of the growth and the scale of this particular scheme, which came about at water sales. It was completely the opposite to -

Ms PALMER - The opposite to Tamar.

PUBLIC

Mr KNEEBONE - Tamar and Fingal. We went on expressions of interest. It ended up coming in close to double.

CHAIR - McIntyre punching above its weight again, minister, just keeps doing it.

My question is on the self-management of the schemes, once they have been put in place. It is an annual or bi-annual question from me. Where are we, minister, in regard to self-management schemes and putting the parameters on that and has there been any interest.

Ms PALMER - Well it is taken up a lot of TIs time. There has been a real key focus from TI around this, that is for sure. Andrew, do you want to update?

Mr KNEEBONE - Coming out of the upper House inquiry there was definitely a move to understanding what the legislative changes would need to be in order to facilitate greater amounts of self-management by groups of irrigators. To date, there is really only one that is aiming to do that and that is the Winnaleah Scheme. We have now reached agreement with the Winnaleah irrigators where they now have an operating contract and they are engaged by us to actually do the operations and maintenances under contract.

In terms of the substance of your question, we understand there was a bill drafted that would provide the basis for -

CHAIR - The framework.

Mr KNEEBONE - the framework for decisions to be made about what further powers can be delegated from under the Irrigation Clauses Act, to buy the responsible water entity to groups of people who may, or may not be interested in having greater say over the day-to-day operations. The issue at the moment is the Irrigation Clauses Act currently does not allow for the delegation of those powers. The key powers it doesn't allow the delegation of are: setting of prices; demanding of money; entering people's property; disconnect their water, those sorts of things. We are not able to delegate and we cannot also delegate the responsible water entity status, or the undertaker under the act.

CHAIR - Still a work-in-progress.

Mr KNEEBONE - It is a work-in-progress and we understand there's a draft bill.

CHAIR - Right, but have you had anyone else knocking on your door?

Mr KNEEBONE - No.

CHAIR - Okay, that is fine. Mr Valentine, I am mindful of the time but we might sneak a couple of minutes over if we need to, if that is okay with you, minister.

Mr VALENTINE - It is noted you recorded an impairment expense of \$47 million during 2021, it is on page 50, and during 2021-22, a further impairment expense of \$14.6 million has been recorded.

PUBLIC

Can you explain the underlying reason for this impairment expense over the last two years and whether you consider that there will be a continuing impairment expense in coming years?

Mr KNEEBONE - Effectively, it is the same substance as your first question. The impairment expense is the reason for the underlying losses. Impairment is where you bring an asset to account, you have finished building it, you have taken it out of work in progress, you create an asset in your accounting system, and because the accounting treatment says you are not going to make a profit out of that, you must impair it or write it off immediately. That is the same accounting treatment as we talked about previously.

Mr VALENTINE - I am always happy to be educated.

Mr KNEEBONE - It is effectively the same thing.

CHAIR - We are not accountants here.

Mr KNEEBONE - I am not either, thankfully.

Mr VALENTINE - The last in financing costs. You increased your loan borrowings by just under \$8 million during 2021-22, which is on page 49, and also, we note that finance costs have increased from \$473 459 in 2019-20 - that is in last year's annual report - to \$1.22 million during 2021-22. It is not insignificant at all. Given that there has been a 158 per cent increase in finance costs over the last two years all up, can you outline what strategies you have to better manage your exposure as we move into a period of increasing interest rates and while you are developing additional irrigation schemes?

Mr KNEEBONE - I will do the first bit and hand over to James. There is a number of strategies that we have put in place in the last couple of years. When we build schemes, we often end up with what is called unsold water. That is unsold capacity and it is represented as borrowings, because we have spent the money to build the scheme; we have not yet recovered that by selling the entitlements to irrigators, so that often is the -

CHAIR - So it is a book entry?

Mr KNEEBONE - No, it is real money, real borrowings. To date, the Government has given us a grant that we have relied on to pay those interest costs. In order to ensure that we ultimately recover that, we now index the value of those unsold water entitlements by the cost of the debt. Ultimately, when we sell those entitlements, that amount of money is recovered. It is not recovered in the year it is actually sold. It is some time down the track. I will hand it over to my learned colleague to finish the answer.

Mr HIPWOOD - Thanks, Andrew. So, two points to your questions, so the first one about the additional \$8 million of borrowings, that just happened to be a point in time where we were waiting for equity payments from the Government on 30 June basically. As soon we received that equity injection, we paid the debt back down.

Mr VALENTINE - Where do you get the debt from, on your way through, where do you get your money from?

PUBLIC

Mr HIPWOOD - We borrow from TasCORP. We had a facility with TasCORP that allows us to borrow and cash flow our projects and so I think that is basically the answer.

CHAIR - We would like to place on the record our thanks and appreciation for your tenure with TI and I know that you have been at a number of scheme openings that I have been at. It is always pretty exciting when we get to actually have an official opening of a scheme, so thank you. Thank you for your six years, and all the best for the future, I am not sure where you will head, next board I expect, that is usually the cycle.

Minister, thank you very much, we know a lot of work goes into preparing for this, because, as I have said a number of times today, I have no idea what the questions are going to be so you do not either. I thank you all for your time and your willingness to share your information. We have a role here and we do our best to get across as much as we can.

Being number five today, we've had a big day and I put on the record my thanks to the members of this committee, they do a fantastic job. Our secretariat support is fabulous as well, so thank you to Simon and Julie, and a special thanks to Gay from Hansard.

For those I don't see again before Christmas, on behalf of the committee, I extend our warm wishes for the festive season and hope you have a restful and happy New Year.

THE WITNESSES WITHDREW.

The Committee adjourned at 5.31 p.m.