

UNCORRECTED PROOF ISSUE

Wednesday 3 December 2014 - Legislative Council - Government Businesses Scrutiny Committee B - Tasmanian Irrigation Pty Ltd

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

Wednesday 3 December 2014

MEMBERS

Mrs Armitage
Mr Dean
Mr Finch
Ms Rattray
Mrs Taylor (Chair)
Mr Valentine

IN ATTENDANCE

Mr Jeremy Rockliff MP, Minister for Primary Industries and Water

Ministerial Office

Jenny Gale, Chief of Staff
Bronwyn Perry, Deputy Chief of Staff
Ashley Bastock, Senior Adviser

Tasmanian Irrigation Pty Ltd

Mr John Lord, Chairman
Mr Chris Oldfield, Chief Executive Officer
Mr Luke Curtain, General Manager, Commercial and Business Development

The committee resumed at 4.10 p.m.

CHAIR - Minister, would you introduce the people at the table?

Mr ROCKLIFF - Yes, I have on my left John Lord, the Chairman of Tas Irrigation, CEO Chris Oldfield, and on my right Luke Curtain the General Manager of Commercial and Business Development.

CHAIR - Thank you. An opening statement?

Mr ROCKLIFF - I welcome the opportunity to be here to discuss the fiscal overview and operational detail of TI. Without doubt the development of irrigation here in recent years has been one of the great success stories contributing to what we now see as a rejuvenation of the Tasmanian primary industries in the state economy. In Tasmania water takes on the same significance as oil and gold in other parts of the world. It is for Australia the rare commodity that can create wealth if you can harness it and we can in Tasmania, very successfully.

We have learned the ropes in the Hydro's heyday and developed that expertise in this age of intensive irrigation. In Tasmania we traditionally receive about 13 per cent of Australia's total rainfall run off and historically that has eventually flowed out to the sea and now we are utilising that valuable resource.

I acknowledge the role of the previous state government in helping establish the successful irrigation program. Irrigation development has had very strong bipartisan support since its inception and we look forward to that continuing.

As part of the \$220 million governments have invested in tranche 1 development, seven schemes are now operating and three are being built. This is in addition to the three schemes Tas Irrigation inherited and operate in the Meander, Cressy, Longford and South-East Districts. Five new schemes are proposed in the second tranche, for which the Government has committed \$30 million. We are optimistic the Australian Government will find its share of the \$110 million.

Let us not forget, however, the real heroes in all of this, the Tasmanian farmers and irrigator investors who have put their hands in their pockets to a far greater extent than the governments have done. In the first tranche of schemes the private sector component of this public-private partnership found \$355 million to buy entitlements and to install the infrastructure on their farms. In the second tranche they will be investing \$272 million.

That means should tranche 2 come to fruition, Tasmanian farmers and some private investors are putting in about \$627 million of their own and the overall public-private investment of just on \$1 billion, which is a significant figure for a population of 500 000 people. This is as big as the Ord and we are now doing it here for our own people and paying the lion's share of the cost.

CHAIR - I hope it works better than the Ord, minister.

Mr ROCKLIFF - Absolutely. It is working now and it is a great story and an incredible tribute to the confidence of Tasmanian producers and the future of Tasmanian agriculture. It is also tangible evidence of their confidence in Tasmanian Irrigation. The topical question is whether the Australian Government funding will be forthcoming for the tranche 2 schemes and I can report that we are building momentum and I am hopeful of a positive outcome.

One of the first things I did as minister was to engage with the Federal Agricultural Minister, Barnaby Joyce, to press Tasmania's claims for irrigation support and to be part of his Federal Dams Taskforce process. I did so in writing and personally on a number of occasions. Most recently at October's national round table on dams and water infrastructure where I was able to meet also a range of Federal ministers.

As part of the federal green paper on Agricultural Competitiveness the tranche 2 schemes have been highly ranked 5 out of the top six schemes nationally as sufficiently developed to allow consideration of possible capital development by the Australian Government within the next 12 months.

I have also met with the honourable Jamie Briggs, Assistant Minister for Infrastructure, the honourable Ian MacFarlane, the Minister for Industry, in addition to Mark Birrell, the Chairman of Infrastructure Australia. All three have been impressed and are pleasantly surprised with the scale of irrigation development in Tasmania and the potential for economic change that will result.

My efforts complement the work of the Premier and other state ministers and the significant lobbying of Chris Oldfield, the CEO of Tas Irrigation, who has tirelessly engaged at all levels. There would not be a minister's or a local member's office, from the Prime Minister down, that Chris has not met with to garner their support. I congratulate him and his team and John who is leading the team of TI on that effort. Finally, I place on the record my acknowledgement and appreciation of the professionalism and the hard work of Tas Irrigation and that of Chris, John and the team over the past year. John, would you like to make some opening comments, if that is all right, Chair?

CHAIR - Thank you, minister. Yes, that is good.

Mr LORD - I am pleased to report that Tasmanian Irrigation has had another very good year. As your committee members will be aware, Tasmanian Irrigation is in effect now running two businesses; one is the developing of worthwhile new irrigation schemes and the other is managing and operating the schemes.

During 2014, we completed the Kindred North Motton irrigation scheme and also our largest scheme by far, the Midlands water scheme, both on time and within budget and that takes the total to seven completed. We also commenced construction on three schemes: the Dial Blythe irrigation scheme, the Upper Ringarooma scheme and the scheme here in the south-east going out past the Hobart airport which will then bring our tranche 1 schemes to a total of 10.

Your members may be aware that for us to proceed, a scheme needs to have ticked three boxes. It needs to be sensible economically, it needs to be sustainable environmentally and it needs to have the support of the local community. The schemes are fully funded by irrigators, the state Government and the Federal Government so these are real public private partnerships and the scale is as the minister has mentioned.

Our second business, the operations business, is currently managing 10 schemes right across the state and last year we delivered all of the water that farmers wanted including from new schemes that were operated last year for the first time.

When we operate a scheme we charge the irrigators what it costs to run the scheme and we also help them by setting the levies at the beginning of the schemes so farmers can plan for the season that they are commencing and, looking forward, one day our development business will cease and Tasmanian Irrigation's core business will then move to being a scheme operator but we have been actively pursuing now for quite a while funding for five additional schemes that we have identified and it is what we call 'tranche 2' schemes.

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I am pleased to be able to advise that the planning for these schemes, the preparation of the business cases, is well advanced and that water sales to irrigators for all three are currently or have recently been under way for three of these schemes. The water sales will provide the private part, the irrigators, the investors, as part of the capital to build the schemes. The state Government has committed \$30 million and, minister, once again thank you for that support and we have not yet received a commitment from the Federal Government for their part but we are hopeful that this might be forthcoming.

The three schemes currently being constructed will all be completed early in the new year so our tranche 1 schemes will finish well before 30 June next year. As the chairman of Tasmanian Irrigation I do not want to see the capability that Tasmanian Irrigation has built over the years lost to the state, so timing is important.

Two last things briefly, and the first is to commend to your committee the model that is Tasmanian Irrigation. I have not run this past the minister, but the minister when he addresses public meetings of farmers in every case graciously acknowledges David Llewellyn as the architect. This was from when David Llewellyn was the minister and the model has received strong support from all governments and all ministers since that time and the model has been copied by New Zealand and other mainland jurisdictions because they realise it works.

The model is that the Government sets what it wants done and then it delegates, to an independent private sector skills-based board, the task of determining how it is to be done. That is the way it works.

The last point is, should members of your committee be interested in things financial and if you have struggled a little with our financial statements, which by virtue of the vagaries of those wonderful things called accounting standards, are not what they seem to be at first glance, I would be delighted to explain what our financial statements really mean.

CHAIR - Thank you, Mr Lord. The first question if we can go straight to questions.

Mr FINCH - I am curious about an email that came through from Mr Oldfield and you mentioned, too, Mr Lord about being environmentally responsible in respect to the operations of Tasmanian Irrigation. The email went into detail about salinity and the farm water access plans that are developed. I am curious to ask can irrigators and Tasmanians generally understand that there is no risk of salination problems in irrigation areas. Your email did highlight that if things do occur that you are on to it straight away. Could we just have an explanation about that process - salination.

Mr ROCKLIFF - Can I have some opening comments before I throw to Chris.

What was quite clearly evident when both Chris and I went to Barnaby Joyce's roundtable in Canberra just a month or two ago was how well-organised Tas Irrigation were in partnership with the State Government in terms of shovel-ready projects as highlighted by the five out of the six schemes in the report. Also it highlighted the great job that TI have done in engaging environmental stakeholders particular the Tas Conservation Trust. Chris will alert the committee to the very few appeals we have had. We can recall the experience with the Meander Dam, for example and the appeals and the costs of those appeals, et cetera. Not only is TI working very closely with farmers but also those stakeholders who are concerned about issues around salinity,

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threatened species and the like. I think there might have been an appeal for the Wesley Vale Scheme. That is probably the only one is it Chris.

Mr OLDFIELD - Yes, minister, that is correct.

Mr ROCKLIFF - It highlights the fact that not only were we saying that we are shovel-ready but we have also got no aggression from environmental groups that want to pour cold water on the schemes. It is important because people are concerned about environmental issues associated with water development. Salinity is one of those issues. That is why we do have these farm water access plans that all farmers of course have to do and commit to prior to taking up that water opportunity.

Mr FINCH - Minister, I am only curious because of the email that came through.

Mr OLDFIELD - It is worth putting in context. The email came about as a response that we meet with your committee I think about six weeks ago. We answered questions on salinity and I undertook to explain that in writing as well because I know it is an area of concern to your committee as it is to us.

Where we are a bit different from other irrigation companies is that we have this process called farm water access plans, and that is really something. It is ancillary to the federal EPBC Act. One of the conditions we put on our water in conjunction with the federal government is that our water cannot be used by any irrigator regardless of whether they have bought it off us or leased it off a third party unless there has been a farm water access plan done for the area on which that water is to be applied.

To get a farm water access plan done, it has to be looked at by an independent consultant who has been approved by us and audited as a result. We look at a number of aspects on farms. What the cropping pattern is going to be, the soil types, water usage, and those types of things, and one of the modules that we are particularly interested in is salination. We make assessments on these farm water access plans at the outset on the likelihood of salinity and then we have programs in place to monitor. Each of those farm water access plans will detail what crops are going to be grown, what the rotation is going to be, what the water usage is going to be and those plans are then audited on a 15 per cent random basis each year. If we become aware of issues relating to salinity, they will be identified. What we are trying to do is learn from the experience of previous schemes throughout the country.

The other thing that is worth understanding is that if you look at a typical farm in the Midlands for example where we have supplied water - it might be 3 000 hectares - they may have bought water off us sufficient to irrigate 100 or 200 hectares, so we are not talking about irrigating vast areas of land. It is very small specific parcels of high quality of land but salinity is certainly one of those things that we take very seriously. I think that is what reflected in the email.

CHAIR - You haven't found any so far, I take it?

Mr OLDFIELD - There are areas of salinity in the state.

CHAIR - But they were already there.

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Mr OLDFIELD - We know where they exist, but it is something we are very aware of in farms. It is also something that farmers are increasingly aware of. It is not in the farmers' interest.

Mr DEAN - I raised this with you at that meeting we had because of my concerns about salinity. It was brought to my attention that the more water you put on the more it brings it out in some places. What is the answer where you provide the licences for this to occur - the watering, the use of the water - and salinity problems arise, are you then in a position to say, 'No more'? Is that in the contract?

Mr OLDFIELD - We would certainly have provision under the Farm Water Access Plans if we thought there were areas of concern of salinity being raised to try to understand what is causing that and how we go about mitigating it. We believe we can do that through water application, crop rotation and the selection of crops. We are not doing that as a policeman; we are doing it in conjunction with farmers. No farmer wants to have salinity on their property, either. I believe we do that work very well. We have a strong in-house capacity for land management, and management of matters of environmental significance. Our schemes have only been going for a relatively short time but that is something, amongst a whole range of other environmental values that we will monitor. Salinity is very important to us.

Ms RATTRAY - Minister, I almost agreed with everything you read out in your opening statement about TI and what has come about by the establishment of it. I also acknowledge David Llewellyn's strong support in the past and his part in that. But I am more concerned about the future. We had a notice of motion recently in the Chamber to support TI in urging the Federal Government to hurry up and make the necessary announcement. We keep on hearing 'hopeful' and what is going to happen if we do not get the money, but what do we need to do? What do we need to do to get the money from them? Do we need to all march up there and demand we continue to roll out this program?

Mr ROCKLIFF - You are supportive and I appreciate your support to date on that. As I have said in the launching of the schemes in various town halls - Evandale, Circular Head, Swansea - with federal members in the room, I urge everyone - I know Eric Hutchinson, Andrew Nikolic, Brett Whiteley and Senator Colbeck are on board with us as well -

Ms RATTRAY - But they are not Joe Hockey; none of them is Joe Hockey.

Mr ROCKLIFF - No, but they are very active in this space, as we all have been, both in correspondence, trips to Canberra, meetings, phone calls and everything else, leaving no stone unturned. I also urge other members of the public to also get on board and urge their federal representatives to demonstrate this very strong community support. What I have noticed in the town hall meetings when launching the preferred option schemes is that it is not just farmers sitting in the seats, there are potential investors. Small business owners in Swansea understand the value of what water to a farmer up the road will bring to their businesses. There are these flow-on effects.

In your region, member, you would be interested to know that with the Scottsdale scheme - a \$46 million scheme - which is part of tranche 2 of the five schemes, more than 80 applications representing what was a larger-than-expected area have received before the expressions of interest process closed last month. That is a very strong indication of the level of support in the north-east and the value the north-east is placing on this.

Ms RATTRAY - They are not afraid to put their hand in their pocket.

Mr ROCKLIFF - They have well and truly put their hand up with stronger than expected interest.

Ms RATTRAY - Unlike the far north-west, if you don't mind, who have been slow to put their hand in their pocket, and is that a concern?

Mr ROCKLIFF - I might finish with the good news first, honourable member -

Laughter.

Mr ROCKLIFF - before I get onto the north-west, which is equally almost good news, I have to say. There has been very strong interest in the north-east and despite the fact that in the last decade we have had the closure of Simplot in the last 15-20 years and reduced production capacity in the dairy industry, I do not need to detail to you some of the confidence issues in the north-east.

Ms RATTRAY - And my colleagues have continued to hear it over the last five or six years while I have been sitting here.

Mr ROCKLIFF - Of course they have, forestry plays in that space as well. But to see such strong interest is just tremendous. People are expressing their interest but feel as though they have the dollars within their own businesses as well to contribute to such a scheme, which highlights the confidence that they have in agriculture in their region across its various forms, whether it is cropping or dairy industry, as the case may be.

Ms RATTRAY - I can understand why people at Circular Head are probably a little bit hesitant. They think they have water everywhere, so is that a concern?

Mr ROCKLIFF - No, what we found at Circular Head was that the initial expressions of interest in terms of how many megalitres might be required, and that is a 20 000-megalitre scheme, were very late in being put forward. Within the last week, the farmers did put up their hands for virtually thousands of megalitres. We have launched the preferred option scheme and there is considerable interest in that region as well but people might take a little longer to express that more formally.

Ms RATTRAY - Is the focus going to change if that particular area is slow? Will the focus go elsewhere where there is more momentum?

Mr ROCKLIFF - No, we are very committed to the five irrigation schemes and so are the communities right across Tasmania. There is heightened awareness given it was on the front page of the *Tasmanian Country* last Friday with, I think, Adam Greenhill on the front page highlighting the fact how dry it is in the north-east and on the east coast. Water is at the forefront of people's minds but I might throw to Chris to explain more.

Mr OLDFIELD - We find with water sales that when we go to the water sales period of 30 days, the first few weeks are slow and we all start to get worried. Then in the last 24 hours we get a rush. That was the case also in Scottsdale. Two days out and we really hadn't had much interest

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and on the final day we had a lot. The Circular Head water sales don't close for another week so we are still hopeful that we will get a fair volume of water.

The other thing worth noting is that the Scottsdale scheme is slightly more advanced in that it has an approved business case, whereas with Circular Head we have taken the unusual steps of going to water sales only on the back of a preferred option. We are doing that because the area is so vast and the permeations there are so complicated.

Ms RATTRAY - And often so wet.

Mr OLDFIELD - We need to understand where the demand is going to be before we spend a lot more money on the business case. With all of our schemes, when we sell water it is always different to what the EOIs have been a year or two before. That gives us the ability to redesign a scheme to meet the demand that we have through the water applications. That is what we will go through with Scottsdale in the next few weeks, and we will wait and see what happens with Circular Head.

On the schemes that we have more recently launched for water sales in the southern highlands, the community roll-up for water sales was quite overwhelming. We were really surprised. The minister launched the preferred option for the North Esk recently and I think, minister, almost 60 people turned up at it.

Mr ROCKLIFF - Yes, at least.

Mr OLDFIELD - Which is very different to where we were four years ago. We think one of the reasons for that is that four years ago when we were going to water sales, people thought it was a good idea but would we actually deliver? Now, as the Chairman said, we have delivered seven schemes and three are in construction. This is now real and that is getting the interest of farmers.

Ms RATTRAY - The message has got about.

Mr OLDFIELD - Absolutely.

Mr LORD - Madam Chair, if I might add a comment, as we have mentioned we have five schemes in tranche 2 but each scheme has a different gestation period; you will see them at different stages so don't be concerned. If someone said here is some money, we could start relatively soon with one or two, but the gestation of some of the other three is longer, so they are not all lined up at the barrier at the one time.

Ms RATTRAY - Minister, the \$30 million that the state Government has committed, can we get in and use that to get it underway? As a whole state, I believe we are concerned that we could lose some of this fantastic expertise that you were so highly complimentary of in your opening speech. We do not want to lose that, so can we use the \$30 million to start? Do we have to wait for the feds?

Mr ROCKLIFF - As I said, we are very hopeful.

Ms RATTRAY - Hopeful is not going to get water out to the Swansea area or to other areas.

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Mr ROCKLIFF - The \$30 million complements the \$110 million and we are looking forward to the federal government recognising how advanced we are because of the work of Tasmanian Irrigation. I am very mindful that Tasmanian Irrigation have done a fantastic job to date.

Ms RATTRAY - I do not disagree with any of that.

Mr ROCKLIFF - I expect that in the future because of their expertise and I do not want to lose any of that expertise either, but I am very committed to ensuring that we get the whole hog and that is our focus at the moment.

Mr LORD - Madam Chair, if I may add a comment, my board's view would be, and we appreciate your sentiment, that we would like to build all five, and the \$30 million we think is a sufficient sprat to catch a larger federal mackerel. That is the game we are in. The minister mentioned that Chris is known to everyone in Canberra. I am sure they roll their eyes and say 'not again'. He spent the last 18 months there. As I said in my opening remarks, I am hopeful that the wheels in Canberra, which turn slowly, will turn in our favour. Our focus is to build all five.

CHAIR - The worst-case scenario, what if they say -

Ms RATTRAY - If it does not come and it is not close enough to an election, and with all due respect that is what it is about.

CHAIR - Or if they say not just now but maybe next year.

Mr OLDFIELD - I am a member of the Joint Commonwealth and Tasmanian Economic Council and we met with the Prime Minister, the Federal Treasurer and Ian Macfarlane last week and the Premier and the Treasurer were also as part of that phone conference. I think that the work that our federal members have done - we mentioned before Andrew Nikolic, Eric Hutchinson and Brett Whiteley - has complemented the work that the minister has done as well. There is nobody involved in Canberra in this decision process who has not been lobbied by myself, by the minister or by the federal members.

I now believe the Prime Minister understands the importance of this. The logic is so compelling it is hard to argue against it, notwithstanding we are in difficult financial straits. We have seen commitments from both this Government and the Federal Government that investing in capability capacity is where public dollars should be spent at the moment, and we tick those boxes. Whilst I share concerns, I am confident that we will receive funding. Whether we receive the whole lot in one hit or it is in two or three parcels, the logic is so compelling I just do not see how it can be resisted. I remain fairly hopeful on this.

Ms RATTRAY - I would like to be more comforted, Madam Chair, but I will let others ask the next questions.

Mrs ARMITAGE - What extent of benefits have accrued from Tasmanian Irrigation spending so far and what is expected of the future tranche 2 schemes?

Mr ROCKLIFF - As a general flow-on economic effect?

Mrs ARMITAGE - Yes.

Mr ROCKLIFF - In my neck of the woods and the Sassafras-Wesley Vale Scheme, that scheme was really born of farmers themselves, putting their hand up and saying 'we need -

Mrs ARMITAGE - Surety of water.

Mr ROCKLIFF - Surety is important, but it is very important in the whole scheme of things because where in Australia could you build schemes with 95 per cent water surety? This is what we offer. It is a tremendous opportunity and we are the envy of many parts of regional Australia. The important thing for, say, a farmer in Wesley Vale is it is insurance as well. That farmer can invest with confidence. In other words, if he is planting a crop of spuds, previously a very high input crop, it needs a good 20-22 weeks to grow out and a crucial stage of a potato crop is that 15 weeks. It is when the tuber is starting to grow to capacity. If the water is not there at that crucial stage, which could be for Russet Burbanks, and I have not grown spuds for a few years.

Ms RATTRAY - Up-to-dates.

Mr ROCKLIFF - The processing variety, for example. It is a big risk to plant such an investment and not know the water is going to be there at that crucial stage of the crop. The farmer can either say, no, I am not going to take that risk. In which case, all the contractors associated, the fertiliser suppliers, the crop protection products suppliers, the agronomists, do not get a job out of that patch of spuds. But now that farmer knows he can grow his crop the full length and it is great insurance. Then all those imports and all that economic activity from that 20 acres, if the case is in proper spuds and you can apply that to every single crop, is therefore generated. That is a practical example of the value of it.

Mr LORD - For some schemes the best outcome for the district is that they do not draw any water from the scheme at all. The minister has used the word, insurance. Let us assume I am a farmer at Whitemore or it could be at Sassafras. Those districts have historically irrigated for a long time and they irrigate from drawing from watercourses under government licences which are subject to notices often at the wrong time but also water capture in the winter in their dams. If I am a farmer there, I am going to be able to grow something for you but I tend to be more an annual cropper because it depends on what is in my dam from this winter. If I had water from one of the Tasmanian irrigation scheme, I can go to you, as a businessman, and say, I like growing for you, I need to organise the rotations, have the equipment, the investment and I need a five year contract, please. Never been able to offer for that.

You can then go to your market with guarantee of this product from Tasmania because if I get caught in a dry season I have the insurance policy I can call on. This fellow's operations manager will get me some water.

In those districts it is change in paradigm. It is a fundamental change and now when you talk to some of the farmer leaders about the value of the schemes in the districts, the first thing they talk about is reliability because they are realising that is the value for them and they can now be business people not annual, opportunist croppers.

Mr OLDFIELD - The insurance side of it is dead right. What gets me excited is new enterprises and anyone who has driven up the Midland Highway in the last few months will have noticed pivots. Our estimate in talking to the suppliers is that there has been one pivot irrigator sold per week for the last three years and the ones in the Midlands are huge.

Mrs ARMITAGE - What are they worth?

Mr OLDFIELD - They vary from not much to a lot. But if you worked on an average of about \$300 000 for an average one, it is a lot. But the big one on the Midland Highway is 1.1 kilometres long and 22 span. We have seen dairy farms in the Midlands that have never had a cow there before. Richard Gardner's property which is well known, now employs nine people. There would not have been nine new jobs created in that region in the last 100 years. We have seen people like Costa's move into the north-west and the numbers they are going to use for picking their fruits is going to be enormous. They are there on the back of water. We have seen one harvester come down from Queensland. They are in opposition to Houstons but they but they are moving into the Coal Valley.

We are seeing new crops. We are seeing [inaudible TBC 4.44.17] bringing carrots in here from Western Australia to mitigate the risk of the heat in Western Australia. We are starting to see people now thinking about running high intensity red meat operations under sprinklers that we have not seen before. New crops, such as quinoa, biodiesel being grown with canola. We helped sponsor a seed conference here recently that the minister opened. All of this is on the back of reliable water.

The insurance is critical but it is the growth in the industry that is exciting. It is the growth that then leads to the growth of the communities. If you asked our directors three years ago what they were doing, they answer was, building pumps and pipes. Now if you say, what are you doing, you are supporting rural communities and that is what water does.

Mr ROCKLIFF - It is worth noting and it is a good question because we should not just be talking about expansion in dairy or cropping or poppies and those sorts of things and Mr Oldfield and I were involved in a forum a few weeks ago organised by JBF Swift and there was 100 or more red meat producers. Prime lamb production and beef production in the room. They are industries that you would not traditionally associate with irrigation, but Chris, in one of his comments, mentioned that he would love to see intensive red meat industries utilising irrigation, those opportunities that these schemes present, and there was spontaneous applause within the room.

Our theory is if you can run 1 000 cows on a 1 000 megalitres of milk you can probably run 8 000 sheep. If you look at prime lamb, we had a board meeting today and we provided a market update and there are Australian lamb chops being sold in Hong Kong at the moment for \$86 a kilo. That is not going to continue but the growth is going to continue so why don't we look at running more intensive red meat under irrigation. I think there are a whole lot of opportunities.

The other opportunity we talked about were dairy cows. There are Friesian cows now at six months old being sold into China, \$1 650 each. It is almost worth running a dairy breeding operation exclusive from a dairy, which has never been done before but with that sort of money available and water available these things become an option.

Mr VALENTINE - A great opening for industrial hemp.

Mrs ARMITAGE - What plans do you have for engaging water owners in the future management of the schemes?

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Mr JONES - This is a very interesting question because when we were established we understood that the Cressy/Longford scheme and the Winnaleah scheme, which had been former Rivers and Water Supply Commission schemes, had been transitioned to local community management and we knew about that. We set ourselves up with the view that the various communities in which we were potentially going to contract new schemes may wish to do the same.

Since then we are managing all the schemes and one leadership group wrote to us. I was very surprised. This was some years ago and they said we are writing to you to tell you that we do not wish to manage the scheme. We are expert vegetable growers. Our time is cut out doing that. Your team are professional scheme managers. It is completely open book. You are charging us at cost. We do not think that we will do as good a job of managing the scheme as Chris' operation seems, so we are writing to tell you formally that we do not want to discuss with you that we will take over the operation. That is it.

There is ongoing regular meeting with the leadership groups in the districts at which operations are discussed with a forum during the seasons. I have not had any comments from anyone since them saying we would like to operate the schemes ourselves.

CHAIR - How are you going to fund Tas Irrigation running the schemes when you are no longer developers but managers?

Mr JONES - Were you the chair of a leadership group or a member of that committee or an irrigator in the district, when we first come to speak to you we would be very clear. The building of the scheme is capital from you and the governments but once it is built and commissioned all of the operating costs are paid by your district. There are not any subsidies given at all. The funding or the paying for the bills will be paid for entirely by the districts.

CHAIR - What happens in a year when people don't need water, or much?

Mr JONES -What we do is if you are an irrigator on one of our schemes you would understand that there are fixed levies and variable levies. The fixed levy is enough, you pay it every year whether you draw water or not and it is sufficient to keep the scheme on ice for a year. You only pay the variable costs of water if you draw it.

Mr DEAN - Similar to council water provided now isn't it? It is on a three part thing or two part payments.

Ms RATTRAY - I hope it doesn't get as expensive as that was.

Mrs ARMITAGE - You pay for the service and then you pay for the water you use.

Mr LORD - That is correct. We can run a scheme without delivering any water at all. Keep it maintained and have it ready for next year.

Mrs ARMITAGE - I feel like this is always a Dorothy Dix question, my last one. How is Tas Irrigation placed right now. I notice one of your goals previously was to meet the goal of making Tasmania a major food bowl. Were the projects underway? How are you placed to meeting that goal?

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Mr ROCKLIFF - Well placed due to the good work of Tas Irrigation and their water development aligns with our Government's vision to grow agriculture tenfold, the farm gate value is about \$1.1 billion now and we believe we can achieve \$10 billion by 2050. That is through water development and infrastructure but also we have to be very strategic in how we invest our research and development capability as well, which is absolutely vital. I said to the red meat producers the other day that if we do not innovate, we die.

The work that Tasmanian Irrigation is doing in an infrastructure sense has to be complemented by the work of the Tasmanian Institute of Agriculture and other private service providers in the R&D space to upskill our farmers where we can. Our training for young people entering the agriculture industry is important. We are investing more in research and development capability with the Tasmanian Institute of Agriculture and encouraging greater collaboration between the private sector and the university, or through TIA, to work together so there is more applied research and development. Like the model is similar, in terms of the philosophy at least, of Tasmanian Irrigation - bringing private sector and public sector together in a proactive sense.

Mr VALENTINE - Everybody will stand up and applaud when money is being put in that they do not have to provide. It is a great result - \$140 million is coming in, and they are able to access the benefits of this scheme. What happens when we get to the end of the life of this infrastructure? The water charges are not providing asset replacement as such, I believe. So are we creating something here that ends up being a burden way down the track and is absolutely essential to fix but there is no capital to make that happen?

Mr ROCKLIFF - That is a very good question it is for some of us a 100-year infrastructure. To pick up on your first point, people will applaud public investment but these investments do not go ahead without considerable private investment. In other words, farmers are putting their hands in their pockets themselves.

Mr VALENTINE - I appreciate that.

Mr ROCKLIFF - It needs to be very clear; they will not go ahead with that private investment. There is capacity in annual costs to make provision for infrastructure upgrades and repairs and maintenance and the like.

Mr LORD - I can assure you and your fellow-members that the levies we charge the irrigators each year do provide for that. There is an asset renewal levy. Our schemes are designed with materials and constructions methods to be around for at least 100 years. But on that journey, some of the assets such as pumps and switch gears will be need to be replaced at various times. Apart from the ordinary annual maintenance, there are spikes. We have looked at that timing and for each of the schemes there is a separate account the asset renewal levy goes into. When it comes to the time for that pump set to be replaced, the funds will be there. So I can assure you our planning covers the replacement of capital items as they are needed. In other words, we are setting it up as best we can for a perpetual life.

Mr FINCH - The potential for irrigated fruit and nut production in Tasmania interests me - walnuts and the like. Is Tasmanian Irrigation doing any research into getting water to the tree roots?

Mr ROCKLIFF - It is good you mentioned walnuts because there is a significant walnut plantation in the Swan Valley which will tail very nicely into what is proposed.

Mr OLDFIELD - One of the major expressions of interest on the east coast is from Walnuts Australia. Where we come with research is that one of our efforts - and we have been partially funded by the State Government to do this - is to look at investment opportunities. Whether that is into nuts or growing different fruits, we are looking at that. We also work closely with TIA, with the university, on the technical side of irrigation. We have done some work in that area. Our commercial manager, Luke Curtain, and our chief engineer visited Israel two years ago, because they lead the world in this sort of technology, to get an understanding of what some of the best irrigators are doing. We have an understanding of that technology but the research into that is being undertaken more by TIA than it is by us.

What we are trying to do is find potential investors to come into these areas whom we can introduce to TIA. We have very good land capability mapping these days. For example, again, we were approached by cherry growers recently who wanted to know where they could grow cherries on the Midlands. We could give them maps showing where the water is available. We can then provide them with overlays showing altitude, aspect, and soil types to allow them to make decisions. That is the way we do it at the moment - very much in conjunction with the university plus with our own data.

Mr ROCKLIFF - Very quickly, one of our election commitment towards Agrivision 2050 was \$1.5 million water-for-profit program, which is about investing that technology, upskilling farmers, etcetera, around exactly the question you have asked.

Mr FINCH - What about money for supporting research by the university, minister. Has anything along those lines been considered?

Mr ROCKLIFF - Yes.

Mr FINCH - Do you have a figure?

Mr ROCKLIFF - Not an exact figure today, but we are working through with TI and TIA, the state government's Department of Primary Industries as well on a partnership around water, water development, research and development, land capability and all those issues.

Mr FINCH - Am I right in getting a sense with fruit and nut production in Tasmania that we are situated well to have a good future in that area?

Mr ROCKLIFF - We are situated very well. I think protected cropping has enormous potential given our even temperature, closeness to the north-west, which was identified with Costa's Exchange, and close proximity to our ships there. If you see the poly tunnels going up, that is what predicted cropping is all about. It requires water and the like. I think there is enormous opportunity. While we have diversity, great climate, and access to water, one of the constraints Tasmanian agriculture has had is around economies of scale, or poor scale. What protected cropping offers is those farmers, or indeed landholders of any sort on smaller plots of land, have the potential to form partnerships with Costa's Exchange, for example, to grow that berry production.

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Mr LORD - Someone mentioned this a while ago and I will pose it first as a question: Which country in the world has the third largest trade in agricultural, horticultural products?

CHAIR - Holland.

Mr LORD - Holland.

Ms RATTRAY - Does she go to the top of the class?

Mr LORD - She does go right to the top of the class.

CHAIR - That is because it is covered with glass houses. Biggest tomato producer in the world, I think.

Mr LORD - If you look at Costa's. Our CEO mentioned Costa's, but he did not mention the numbers of people who are going to be employed picking their berries this summer and what the numbers might be in a couple of years. The numbers of hectares are not large. The investment is large and the amount of water is not large, but the value is huge and we have the climate types. In behind Ulverstone people are - well, we can virtually grow anything that people wish to grow reliably. Some of the salad vegetable companies - Chris mentioned One Harvest - are now coming to Tasmania to look. They were growing I think in three regions in Australia. A couple of years ago they had climatic conditions that meant that all three were in trouble at once. It had never happened before. What Luke has been doing is knocking on the doors of these companies to say, 'Have you thought about Tasmania?'. Some of them are saying, 'Yes, what a good idea'. They are coming. As Chris mentioned we are not only doing pipes and pumps, but we are also looking at innovation and business opportunities as well.

Mr ROCKLIFF - Just to pick up and be more specific about the investment in research and development dollars from Agrivision. \$800 000 is towards the research and development public and private collaboration project or university and private collaboration project we spoke of, the \$1.5 million I mentioned is to Water for Profit and also \$600 000 is being invested in on-farm productivity as well.

CHAIR - In this financial year?

Mr ROCKLIFF - Yes, raised in the Budget. Annually we fund TIA, Tasmanian Institute of Agriculture some \$4.8 million.

Mr DEAN - Just a couple of things. Where water rights are purchased by farmers, is that an automatic transfer on the sale of the property? Can that be sold with the property or does that have to come back through the authority?

Mr ROCKLIFF - It is separate but I will get the Chairman to answer that.

Mr LORD - They are separate pieces of property. It is like a parcel of BHP shares so if you have a farm you buy water entitlements, they are separate. If you sell me the farm, you can choose to sell me the land and you can choose whether you sell me the water or some or all of it separately. You can trade your water entitlements as a separate asset, permanently or temporarily, so it is not tied to the land.

UNCORRECTED PROOF ISSUE

Mr DEAN - And if there is no interest in that, can it be traded back to TI or what happens there?

Mr LORD - No, not to us. We are sponsoring water trading and we are now holding an auction each year and facilitating that. On the mainland there are reasonably active water markets and we are now encouraging that to occur here.

You need to think of farms being one asset and the water as a separate asset that can be traded as and when you wish, permanently or temporarily.

Mr DEAN - But there is free trade between farmers of water?

Mr LORD - You need to be careful because if the scheme is a scheme with pipelines, if you buy a water entitlement when we develop the scheme, it is two things: it is the water right, which is the entitlement to a volume of water, but there is also the delivery right to have it delivered to a valve set on your farm. If you are at the bottom of a pipeline, then obviously you can trade the water to anyone who is further up the pipeline, but if you are at the very beginning of the pipeline, your trading opportunities are more limited. People are now starting to realise that in some cases the value is actually in the flow rate. Last season, or the one before, we had someone in the minister's district pay quite a lot of money at the end of the season to use someone else's flow rate to get the water they had to their property in one big lot quite quickly because they were doing the final watering of the potato crop. People are trading the delivery right separately from the actual water.

Mr DEAN - Is the cost of the water in the contracts? One of the schemes is almost a free-flow scheme; I do not think it pumps, it is free-fall flow, as I understand it.

Mr LORD - If we are delivering, say, in the Great Forester River from the Headquarters Road dam, we can deliver down a watercourse like that. There are not the constraints that there are in pipelines. That is unusual and not a lot of our water is delivered in open river courses, some but not most; most is with pipelines. Farmers are now realising that the understanding, the zones and the ability to get water to them is part of the understanding where you can trade.

Mr DEAN - For the Meander Valley Irrigation Scheme, how damaging was the bad publicity created by Mr Booth about that scheme to the organisation? Have you recovered from that?

Mr OLDFIELD - No, it was not damaging. We made an offer to brief Mr Booth but he has chosen not to take up that offer, which is his right. We have a very strong relationship with mainstream environmental movements in Tasmania and our argument is that there has been significant economic benefit from that scheme. That is proven by the fact that farmers are using water. Farmers are not stupid, they are not buying water and using water offers without some economic gain. I think it is self-evident, the fact they are taking water, and I think most people understand that.

Mr ROCKLIFF - I think Mr Booth is way off the mark here and out of step with the mainstream environmental movement. With the loss of Tim Morris, who was a very strong supporter of Tasmanian Irrigation and water development in the electorate of Lyons, it is a shame Mr Booth is playing politics the way he is, as he has previously done with water development.

UNCORRECTED PROOF ISSUE

Mr VALENTINE - A bankable product is water rights. With every other physical asset such as houses or cars, when they change hands there is stamp duty involved. Is this the case with water rights? Can they change hands without any government tax?

Mr CURTAIN - There is only a slight administration fee with a search of the register and also a transfer. At the moment I think our current fee is around \$66.

Mr VALENTINE - Yes, but that is not going into consolidated revenue like the other stuff.

Mr ROCKLIFF - No.

Mr VALENTINE - It might be something to think about into the future.

Mrs ARMITAGE - Has the number on the board increased?

Mr ROCKLIFF - No.

Mrs ARMITAGE - Is it five or six?

Mr ROCKLIFF - Five.

Mr LORD - We have had an alternative director. Kim Evans was appointed Secretary of the Department of State Growth and then with that work he was not able to continue actively so he appointed John Whittington as an alternative.

CHAIR - Thanks very much, minister, and it is nice to finish on such a positive GBE.

The committee adjourned at 5.05 p.m.