



TASMANIAN FARMERS & GRAZIERS ASSOCIATION

Natasha Exel
Committee Secretary
Legislative Council
Parliament of Tasmania
Hobart TAS 7000

Email: tir@parliament.tas.gov.au

Dear Ms Exel

The Tasmanian Farmers and Graziers Association (TFGA) is the leading representative body for Tasmanian primary producers. TFGA members are responsible for generating approximately 80% of the value created by the Tasmanian agricultural sector.

Agriculture is one of the key pillars of the economy and, with the current level of support from government, are well positioned to further capitalise on the stature of Tasmania agriculture.

The TFGA appreciates the opportunity to make comment to the Legislative Council Select Committee inquiry into the future management of water rights and associated assets that are currently administered by Tasmanian Irrigation Pty Ltd.

Introduction

Tasmanian farmers compete in very tough commercial markets. The vast bulk of their product is sold interstate and overseas, and by far the majority as commodity product. This means that farmers essentially compete on price. That being the case, they must use every possible opportunity to reduce production costs by maximising productivity, and develop preferred supplier status by maximising product quality, and reliability of supply. It also means that they need to be able to produce a range of products to avoid being trapped in "boom or bust" cycles associated with individual products.

Throughout Tasmania, one of the single biggest opportunities to improve on-farm productivity, product quality, product range and reliability of supply, is and has been by irrigation.

The TFGA, as the peak representative body for farmers in Tasmania, is a strong supporter of irrigation development across the State.

ACN 009 477 810
ABN 51 009 477 810

P: (03) 6332 1800
F: (03) 6331 4344
W: www.tfga.com.au

A: TFGA House, PO Box 193
Cnr Cimitiere & Charles Streets
Launceston TAS 7250

The TFGA note that Tasmanian Irrigation Pty Ltd (TI) have undertaken an ambitious program of developing irrigation schemes across Tasmania, and they should be commended on the timely construction of dams built to last 100 years, and to deliver water at an average reliability of greater than 95%.

The development of irrigation schemes has brought the following to many districts, including:

- Increased output per hectare;
- Improved surety of product quality and supply;
- More enterprise (product) options;
- Downstream processing;
- Economic stability; and
- High level of water supply surety for irrigators.

While some dam building is still occurring, TI are no longer in a construction phase. The TFGA has communicated the need for an increased focus on providing a better delivery model, and we have seen some efforts toward this.

Our submission will detail some of the issues our members are experiencing and our belief for the need for a State strategy on irrigation and water management. Key points include:

1. That greater communication on the transparency and improved reporting is necessary around costs, specific to each scheme.
2. That the uptake of available water rights in some of the newer schemes remains at around 70%.
3. The intent to transfer the operation and management of schemes to local communities.
4. Developing a strategy on irrigation and water management for Tasmania.

Communication and Transparency

Our members understand they need to pay for water and there will be an ongoing cost to undertake this right. However, we have been hearing from our members that there is a lack of understanding and communication on how the fixed and variable costs are being calculated.

TI set up the irrigator representative committee, which was intended to improve transparency and increase irrigator input. However, because it has only been used to inform the committee of decisions and not to seek their advice to inform decisions, it hasn't fixed the issue of transparency.

Irrigators, the farmers on the ground, need to be better informed on the costs TI charges. This has been an issue that needs to be resolved to improve the relationship between TI and irrigators.

Uptake of Available Water Rights

As noted in the December 2016 Legislative Council Government Business Scrutiny Committee B on TI the uptake of available water rights in some of the newer schemes remains at around 70%. The issue is that with less water sold on average the costs will be higher for each irrigator.

From the same business scrutiny committee TI said they have started a sales program to sell the remaining water rights in those schemes and by June 2017/18 the retail component will be finished and completely sold.

The TFGA believe this is an area that still needs addressing to maximise the use of those schemes and to provide cost efficiencies to irrigators.

Transfer the Operation and Management of Schemes

In 2011/12 the publicly available Statement of Corporate Intent Part 1 - Strategic Direction Business Overview in TI's annual report, qualified as the first expectation of TI to facilitate community management of the schemes.

"The principle purpose of Tasmania Irrigation, as outlined in the Members' Statement of Expectation prepared by the shareholding ministers, is to undertake the following:

- *develop, own and operate irrigation schemes in Tasmania, and where feasible and appropriate, to facilitate local community management of these schemes."*

The expectation was fundamental to garnering irrigator and broader community support for scheme development, and it was a major consideration in decision making around the commercial viability of water right purchases during pre- development phases. However, there has been no evidence of the expectation being realised. It became obvious in 2015 that in fact, the intention was quite the opposite.

We asked to be kept up to date on progress, including that if there was any intention to change the Members Statement of Expectation, based on their new goals, that we be informed and involved in that process. However, the 2015/16 Statement of Corporate Intent Part 1 - Strategic Direction Business Overview, had removed from its principle purpose; *"and where feasible and appropriate, to facilitate local community management of these schemes"*. Rather, it appeared as:

"The principle purpose of Tasmania Irrigation, as outlined in the Members' Statement of Expectation prepared by the shareholding ministers, is to undertake the following:

- *develop, own and operate irrigation schemes in Tasmania".*

Some irrigation district communities express genuine need to manage the operation and management of their schemes, but are not seeing any willingness from TI to do this. Other irrigation districts are content for TI to retain management and operation if continuous improvement in service delivery is maintained and communicated transparently.

TFGA and its members expect to understand what TIs intent is to transfer the operation and management of schemes to local communities. As the options should be made available when the scheme wants it, and where it is feasible and appropriate.

Irrigation and Water Management Strategy

The freshwater resources of Tasmania are potentially the States most valuable natural resource. In fact, Tasmania has the highest ratio of water to land mass in Australia. The responsibility for the management and use of freshwater is shared by various State-owned entities.

To ensure that this resource is not wasted, the TFGA proposes that the State Government develops an integrated irrigation and water management strategy. The strategy would provide an overarching state-wide approach to manage water services in an efficient and effective manner.

The objectives of the integrated water management strategy would be:

- To provide strategic direction for all water entities – including TI, Hydro, TasWater and DPIPWE Water Management Branch;
- To demonstrate water supply security;
- To demonstrate viable delivery of water;
- To demonstrate sound asset management; and
- To consider how this precious resource can be better managed within the State's water governance structure.

Closing Comments

Some schemes have become increasingly sceptical of TI's ability to efficiently administer the schemes. Irrigators are wanting a more balanced model that allows meaningful input to business and operational decision making with a view to developing a more competitive enterprise.

In deliberating the future management of water rights and associated assets, the Select Committee should consider first the overarching problems of:

1. The lack of transparency around financial, administrative, operational and broader policy, such as the apparent abandonment of the principle purpose of the Statement of Corporate Intent.
2. The cost of bureaucratic type structures, including the present make up and role of the TI board.
3. The impact on the fixed costs of water rights by Government Based Enterprise style management, compared to competitive imperatives that commercial enterprises operate under.
4. The lack of meaningful involvement of irrigators in business decision making, and in the strategic direction of TI.

In conclusion, our members relate the importance of the irrigation infrastructure to their enterprises now and into the future. The infrastructure has provided them with confidence to develop their enterprises, with well-constructed dams and water delivery assets.

There are important decisions to be made about future management of water rights and associated TI assets. The TFGA urges that a thoroughly informed, inclusive approach be taken to setting the strategic direction for Tasmanian Irrigation that secures opportunity for Tasmania to realise its competitive and comparative advantages.

The TFGA would like the opportunity to present before the Select Committee at a public hearing.

Yours sincerely



Peter Skillern
Chief Executive Officer
15th December 2017