

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A

Thursday 2 December 2010

MEMBERS

Ms Forrest
Dr Goodwin
Mr Hall (Chair)
Mr Harriss
Mr Wilkinson

IN ATTENDANCE

Hon. Bryan Green, Minister for Primary Industries and Water

Ministerial Office

Ms Alison Turner, Adviser
Mr Gary Swain, Head of Office

Rivers and Water Supply Commission

Mr Scott Ashton-Jones, Chairperson, Tasmanian Irrigation Schemes Pty Ltd
Mr Chris Oldfield, Acting Chief Executive Officer, Irrigation Development Board
Mr Adrian Paine, CEO, Tasmanian Irrigation Schemes Pty Ltd
Mr John Lord, Chair, Irrigation Development Board
Mr Kim Evans, Chairman, Rivers and Water Supply
Mr Ben Goodsir, Chief Executive Officer, Rivers and Water Supply

The committee resumed at 1.16 p.m.

CHAIR (Mr Hall) - Welcome, Minister, to round two with us today.

Mr GREEN - Do I look like I have scars?

CHAIR - Severely beaten up this morning. Minister, would you introduce the personnel at the table for the purposes of *Hansard*?

Mr GREEN - We have Mr Kim Evans, Secretary of the Department and Chairman, Rivers and Water Supply; Mr John Lord, Chair, Irrigation Development Board; and Mr Scott Ashton-Jones, Chairperson, Tasmanian Irrigation Schemes Pty Ltd.

CHAIR - Thank you, Minister. Some of the questions might cross over so I thought we should have everybody at the table.

Mr GREEN - It is going to be a bit like that.

CHAIR - Do you want to make any opening remarks?

Mr GREEN - Very briefly. The year 2009-10 is the second year since the commission delegated its functions to two new subsidiaries, the Tasmanian Irrigation Scheme and the Tasmanian Irrigation Development Board. Both subsidiaries, which play important roles in progressing some \$400 million worth of investment in irrigation development in Tasmania, are performing well in terms of their financial position and service delivery outcomes. The major focus of the TIS in 2009-10 was the Meander Valley pipeline extensions project which involved the construction of four pipelines to deliver water from the Meander Dam to catchments adjacent to the Meander River.

TIS also continued to further develop the Clarence Council's Coal River Valley reuse irrigation scheme. Total revenue for TIS in 2009-10 was \$8.7 million, which included \$4.1 million in sales for Meander irrigation rights. The commission will not pay a dividend in respect to 2009-10, instead using profits to pay off debt on the Meander Valley pipeline extensions project.

The TIDB is making significant progress in implementing the Government's water development strategy, with 13 irrigation schemes all at different stages of advancement now on its books. We have two schemes, Headquarters Road Dam and Whitemore irrigation scheme under construction. Construction of another two, Sassafra-Wesley Vale irrigation scheme and the Winnaleah irrigation scheme augmentation, is expected to commence in the first quarter of next year.

Business cases for another two projects have been provided, and detailed planning for a number of other projects is underway and well advanced. I would like to thank the boards for the contribution they have made during the year and specifically acknowledge the work of the late TIDB CEO, Mr Jock Chudacek. Just about everybody who had anything to do with irrigation knew Jock and his contribution was highly valued.

I also would like to welcome Chris Oldfield in his appointment in July this year to this position and look forward to continuing to work with him on the various projects. We have a number of very enthusiastic people working specifically on ensuring that Tasmania's irrigation development is at the fore and successful.

Mr LORD - I would like to make a couple of comments by way of opening remarks. For Hansard purposes I would like to advise that our CEO, Chris Oldfield, is sitting behind and depending on the questions asked it may be more appropriate that Chris answers those, if your committee is happy, Chair.

It is a pleasure for Chris and me to be here before your committee, Chairman. Our job at the IDB is not to build schemes, our job is to provide opportunities for districts to give them the opportunity that a scheme might be built. We started in March 2008 and appointed Jock, as the minister mentioned earlier, late in that particular year and, sadly, he died of mesothelioma. I would like to put on record that Jock was a brilliant engineer and a brilliant project manager, and I do not say that lightly. He was the kind of guy who would run 4 000 men in a foreign country of multi-nationalities and run the whole show, and he did that around the world. He came back to Tasmania, the place of his childhood, to make a contribution here. Jock substantially helped set up the TIDB, and in particular created our culture - the approach to engineering and the design and culture, which is a culture focused on outcomes. I would also like to note with appreciation the work done by our deputy CEO, Greg Stanford, who was our chief technical officer. He stood in when Jock had to stand down and I would like to echo the minister's comments; I am delighted to have Chris Oldfield as our new CEO. Chris's job is to retain the culture that Jock built but also he brings through his vast roles a pretty broad understanding of farmers and Tasmania through his former roles in this State.

As members will know, we, together with our local district partners, only proceed to access funds for part of the capital works costs if we satisfy three conditions. That is, that a particular scheme is economically viable, which means that if it is going to cost x dollars the net present value of that infrastructure in that district is worth more than that x dollars. We use existing enterprises. It is a very conservative test. We do not use blue-sky, potential profits, it is just the existing stuff, so it is a very tough economic test. So we need that tick. Secondly, we need a tick to show that what we are going to do is environmentally sustainable. We do not just give lip-service to it, we mean it. We have basically torn up the seven dam sites in the north-east, for example, because they will not pass. We are looking to provide water in that part of the State but by different means, not the originally thought ways because they would not have passed the second test. The third thing is that we need to have a social licence, so we do not proceed unless we have ticks in those three boxes.

As you will appreciate, Chairman, the process of achieving all the various tests and approvals to proceed with something often takes considerably longer than building schemes. This year is the first time that we have started to construct things, and there is quite a ramp-up in scale occurring right at the moment in what we are doing now.

Mr ASHTON-JONES - Thank you for having us at your committee. My chief executive, Adrian Paine, is with us and if our questions are better answered by him, I would seek your indulgence that he might be able to do that. TIS has enjoyed another quiet year of achievement. We have a pretty lean ship. We now have the Meander pipelines all running bar Hagley, which has its final bit of commissioning happening but has been delivering water. So there have been a couple of hold-ups there. We have delivered those slightly off time but on budget and those are really all the introduction remarks I need to make. Thank you, Chairman.

Mr EVANS - I can add to that, I play the role of the chair of the GBE that has established the two subsidiaries and we have delegated our functions to the two subsidiaries in the case of the TIDB, building construct schemes and in the case of the TIS, operating existing schemes.

We have an acting CEO, Ben Goodsir, who is behind me as well and Ben may be called on if we need to answer any questions or details about the commission side of things.

CHAIR - Thank you very much. I might open the questioning, Minister. Just for the record, I think the Federal Government made \$140 million worth available for irrigation development; the State, \$80 million; so that makes \$220 million. On page 35 of the annual report, I think it says you received about \$63 million to date from the State and \$11 million, plus that from the Federal Government and I presume that is an accurate assessment of public funds received to date. So the question is: what is the schedule of payment for those outstanding funds? When do you expect to receive them and what is the process from hereon in?

Mr GREEN - With the \$140 million, are you talking about specifically from the Commonwealth?

CHAIR - Yes, the \$140 million and the \$80 million from the State as well, the total package.

Mr GREEN - Technically, we make application to the WIF for those funds to be expended in line with the approvals being sought.

Mr EVANS - If I can just expand on that, we have a funding agreement in place with the Commonwealth under the National Water Funding Agreement and that provides for the payment of funds on a project-by-project basis in accordance with certain milestones that are agreed with the Commonwealth upfront. So that has taken -

CHAIR - Are they milestones or hurdles in some cases, Kim?

Mr EVANS - No, they are pretty much milestones. We are doing this very collaboratively with the Commonwealth. The Commonwealth are intimately involved in each project. We have only just recently reached the point of construction as Mr Lord has mentioned and so the Commonwealth funds are now starting to flow into the State. The way they enter the State is that they come via Treasury under the national funding partnership agreement and are parked in the WIF and paid for out of the WIF fund.

CHAIR - Do you think that the \$220 million, all-up package will be enough to develop or complete the quantum of projects?

Mr LORD - Chairman, yes. The funding will be in round figures, around \$400 million in total because the funding is a public-private partnership with \$220 million in total from the governments, probably around \$200 million more from the farmers or those who take up the water entitlements. So it will be something around \$400 million. Our advice from the beginning of our existence and up to now is yes, with the projects that we have been given. We have been given a job list, if you like, from the Government to go and look into whether we can potentially get water into around 13 or 14 different districts, but they are defined. Our advice is: yes, we can for that budget and we can do them all, given that we met the three milestones.

Chairman, I am wondering, is it worthwhile my spending two minutes explaining to your committee the process we go through.

CHAIR - Yes, it would be.

Mr GREEN - With the Commonwealth?

Mr LORD - With you, Minister, with your Government, just for the approvals. Is that relevant at the moment?

Mr GREEN - Yes, that is fine.

Mr LORD - We go through a three-stage process for the IDB projects. We have a job list. Our scope is defined and we go and look ourselves at that district internally and ask ourselves whether we think that we could provide water for that district and meet the three tests, whether or not there are any show stoppers and we will do this privately. There are files in the department and work has usually been done. We gather whatever we can and our engineers and staff put their minds to it and see whether we can get the water there, we will meet the three tests and what the cost will be and what have you.

[1.30 p.m.]

During that time, through the TFGA, they form a leadership group of local leaders so that we have our partners in place but they have not seen our preferred option. We then provide the preferred option to the minister and he takes this to the Government so that Government can look at it and we can say our advice is yes, we think we can and it will be about this amount of public money required. We are not aware of any show stoppers, for example, should the Government say, 'Yes, we are satisfied with that preferred option', our first approval, we will then hold a public meeting in that district and it will be chaired by the chair of the local leadership group and we will provide to all those who come satchels explaining our idea for a scheme for their district and we will say 'This is just our view as outsiders about your district. We are now pleased to open up the 30 days for you as the locals to have a look at it, tear it apart, come in with your ideas and tell us where we can do better'. We do it this way because if we simply went to the district and said, 'What about water?', it would be Rafferty's rules.

With some of our schemes we have had quite material design changes because of the input and advice and local knowledge from the local communities. We do that, take that away and then refine our preferred option and turn it into a business case which is the serious document and they might in some cases be an inch or an inch-and-a-half thick and in commercial parlance this is really commercial clothes and we come back again to the Government with a serious document that says that this is the business case for the committing of so much public money to do these things, with conditions in it.

Mr WILKINSON - You do not go back to the community before you go to the Government, John?

Mr LORD - No, we do not, it is the preferred option and we work all the way through this time with that local leadership group and they are genuine partners and we say to them when they are formed, 'You will carry as many bricks as we will carry' and a lot of the feedback comes back through them. We appoint a project manager who is dedicated to that scheme, cradle to the grave, and they are the main liaison person for the project.

Then when the business case is put to government we provide multiple copies and I expect the State Government shares it with Canberra but that is not our business to know and, should the Government approve the business case, we then go out and do the work and that includes meeting

the conditions that are set. We then go back to the farmers and say that they are going to need to sign for usually about 70 per cent of the water they have to commit to. That is one of the conditions and the others are obviously all the approvals and what have you that are required, as well as tenders, so that we have real materials and real contractors to build that fit within the parameters that we have set.

When we come back for the third and final time to government, that is what we call 'contractual close' and it won't be an inch-thick document, it will be a couple of pages to the minister saying 'Thanks for your business case which has x preconditions, we are reporting to you to say that we have met those conditions and here is the evidence'. The Government can then look at it and say, 'Yes, we do want to go ahead with this' and when they advise that they are happy with that there is only one thing left to do and that is to actually build the scheme.

The farmers will have had to put down a deposit in that last stage and then we will build the scheme and provide through government sources the working capital. We will commission it and once it is running and it is working then 28 days after that we will write to the farmers and ask them to provide the other 90 per cent or 75 per cent depending on which option they have taken and then we will issue them with their water entitlements.

Once the Government has said yes to the third test - contractual close - and the farmers hold contracts with deposits paid to obtain water entitlements, those contracts are tradeable. So as soon as the game is on and we are going to build the scheme with the third tick from the Government, it is tradeable, which is a requirement of the National Water Initiative. If farmers have bought a bit more or a bit less than they need then they can trade with their neighbours if they want to. That is our process.

Ms FORREST - When you get to that stage where the department has signed a contract and paid the deposit, is that when the contract becomes tradeable?

Mr LORD - No.

Ms FORREST - When the minister signs off?

Mr LORD - That occurs between the second and third decisions by Government. After the business case is approved, which is the middle one, we then as part of achieving the preconditions need to get your 70 per cent take-up and they are all on ice until we go back to the Government for the third and final time to say yes, we have met all the conditions. Only when the Government says yes for the third time is the scheme going to be built and when that happens then your contracts are tradeable.

Ms FORREST - But the farmers pay their deposit before that?

Mr LORD - Yes, and if for some reason the Government said no, for some reason they do not want that scheme built, we would pay back their deposits. It goes into a trust account and we pay it back with interest.

Ms FORREST - What happens if after the third and final stage of the tick-off from the minister a farmer decides that they do not want to be part of the scheme?

Mr LORD - They are going to need to find someone else to take their contract off their hands.

Ms FORREST - They will not get a refund?

Mr LORD - There are two ways in which, if you are a farmer in a district, you can sign for water: one is the conventional way where you sign an unconditional contract, put down 10 per cent and you commit to taking the water and paying the other 90 per cent, a binding contract. The other way is: you put down a 25 per cent deposit and it is really an option and you do not need to proceed with it, you can walk away if you want.

Ms FORREST - Do you get your money back?

Mr LORD - No, you don't get your money back. It is an option. You forfeit your option fee but you can trade that if you want to.

Ms FORREST - Has anyone been paid back their deposit in a case where it has been signed on the third and final stage?

Mr LORD - No, no-one has been paid back their deposit and it is not appropriate that they are because the deposit is a binding contract. Just to repeat, if you have signed and put down 10 per cent for a binding contract and then say, 'I have asked for 200 megalitres, I have made a mistake and only need 150', then we might give you a hand to find someone who is a bit short and say, 'You can go and trade with one of your colleagues down the road and transfer your 50 megalitres to someone else'.

CHAIR - Just following up from that, that is under TIDB.

Mr LORD - Yes.

Mr GREEN - I know what you are going to ask him. It is in relation to -

CHAIR - Have we got a separate set of conditions and rules there?

Mr ASHTON-JONES - Like but different. Adrian probably ought to go through in more detail.

CHAIR - Following on from what Ruth asked, when somebody has paid their 10 per cent deposit, and then forfeits their right to buy that water right, what happens to the deposit? Adrian might be able to answer.

Mr PAINE - Our contracts are similar to the TIDB, that the 10 per cent deposit is binding and held if they fail to meet their obligations under the contract. There are some provisions under our contract during the period of construction where they can come back to us with an agricultural consultant's special report that says that they can't utilise the amount of water that they fully committed to, or their economic circumstances have changed and we will consider varying contracts, but the deposits are non-refundable.

CHAIR - The deposit is non-refundable?

Mr PAINE - That's right.

Ms FORREST - So in both cases the deposit is not refundable.

Mr PAINE - That's correct.

Dr GOODWIN - Just to clarify the 70 per cent take-up rate, do they have to be paid up in terms of their deposit at that point?

Mr LORD - Yes. I used 70 per cent as an example; it is not 70 per cent in every case. The board will advise as part of its advice to the Government as to what that threshold should be and in one or two cases it has been higher. What we require is the preferred option then the business case and then, when we are meeting the conditions set in the business case, we will go to the farmers, go to our partners and say, 'Right, it is show and tell time', and the condition in the business case is, for example 70 or 60 or 80 per cent, then we need the contract signed by the farmers, to show they are serious and to put a deposit down. So we effectively pre-sell around about three-quarters of -

Dr GOODWIN - So you are guaranteed an income stream from the scheme by the time you get to the 70 per cent.

Mr LORD - Yes. We are not so much looking for an income stream. Our job is to design and construct and then it will be handed over to be run by others later.

Dr GOODWIN - But in terms of making it viable.

Mr GREEN - Yes, making the scheme itself commercial.

Mr LORD - Yes, in terms of constructing the scheme. We do not anticipate being left with large loans because we have sold only half the water in a particular scheme, so in this way it is fundamentally different from what TIS or the commission did before with the Meander Dam. We deal in real time with farmers and say, 'What water do you want today and what are you prepared to buy today?'. So in most of the districts we are not providing water which will satisfy the district in 50 years. It is a start. It is a bit like constructing a kitchen garden. We are planting the first few rows of vegetables but there is spare room and the thought is firstly that it is unlimited but if we can start that way then the most efficient way of further developing is often for the private sector to then say, 'We are five years in and we are finding it is working for us and we want to augment it in some way and we have worked out how to do it ourselves'.

CHAIR - Mr Wilkinson, the biggest centre pivot in Sandy Bay.

Mr WILKINSON - A very big centre pivot in Sandy Bay, as you probably realise.

Laughter.

Mr WILKINSON - Excuse my ignorance, but the Federal Government has made \$140 million available, the State Government has made \$80 million available. The take-up is currently \$63 million, is that correct? Therefore there is a further \$160 million available. Is there a time limit attached to the money? Must it be taken up before the end of 2011 or before the end of 2012?

Mr EVANS - There is not a definite time limit, however, our goal is to build these schemes as quickly as we can, so I do not imagine it will be sitting around in five or 10 years.

Mr WILKINSON - That is what I was wondering; is there need for haste to ensure you receive all the money?

Mr LORD - No, but our written instructions when the ITB was formed were to proceed with all the nominated schemes; to proceed with them all concurrently. In other words there is not to be any prioritisation. And to build them all as fast as possible.

Mr WILKINSON - Will that exhaust that \$220 million?

Mr LORD - Just about, yes. We still believe, and we brief the minister regularly, that with current costings and material costs, the contributions coming from farmers and the pricing to the farmers, the \$220 million government contributions will cover the costs of constructing all the schemes that are on our job sheet.

Mr WILKINSON - So that \$220 million involves not only assessing whether it is a suitable project, and you have those three areas of tests that you go through, but also in building the schemes.

Mr LORD - Yes, the building is funded in two parts. Part of the capital, about half, comes from the government. And the other part comes from the farmers. So it is a real public-private funding model. Once they are built, all the costs of running it are paid by the farmers. There is no ongoing subsidy from the public. This is one of the really important things the districts need to understand. They must know what capital they have to put down and then what it is going to cost every year because with irrigation schemes you will typically have a fixed cost you have to pay every year for your whole water entitlement, whether or not you draw any water, because there are fixed costs in running the entity that runs your scheme. Then there will be a variable component. If they do draw water then there may be some cost if the water is brought from Hydro Tas, for example; then there may be electricity costs because some of the water may have to be pumped or there may be other variable costs.

Mr WILKINSON - In relation to the existing crops test, 30 or 40 years ago if somebody wanted to build a winery, you would say it is not an existing crop, therefore you will not be able to have the money. It is shown now that grapes do grow very well here and we are doing extremely well. So is there any intent at all to assist that person in starting up, if there is evidence that it would be a successful crop?

Mr LORD - We look at the basic economics specific to each district. In most of the districts that we are dealing with there are conventional crops such as poppies, green peas and those broadacre ones. In the south-east, Coal River Valley, there is an existing, very high value sustained viticulture-horticultural industry. We are in the process of looking at that at the moment and we will be providing advice to government on that reasonably soon. In that case, we are using some of the numbers from the high value enterprises. It is an existing TIS district. We are allowed to do that because it is an existing set of enterprises. But they do not exist elsewhere in the State so we only use what is already in that district. We do not build in blue sky. That is an opportunity. Our economic test is very conservative. If we can clear the economic bar, it is a very solid test of a pass, even if we only just clear it.

Mr GREEN - From the Government's perspective, we are conscious of things you have mentioned, that is that once viticulture was not seen as a legitimate crop in Tasmania. However, we now have a boutique wine industry.

Mr WILKINSON - The cost per litre that you get for Tasmanian wines is about \$7 higher than anywhere else in Australia.

[1.45 p.m.]

Mr GREEN - And it has held up when everybody else has gone down. That is good and we had Brown Brothers come in recently, so we are seeing some big players come into the equation.

The point I wanted to make is that we have the Wealth from Water Project and that is about allowing people, including those who want to invest in Tasmania, to understand all the intricacies associated with their own land - elevation, soil types et cetera - so that they can understand, to a far greater degree what they might be able to grow in the future. Predicting the future as to what crop you might be growing is a difficult thing, but this Wealth from Water and the water development go hand in hand in providing opportunities. All those things are important.

CHAIR - Through you, Minister - with regard to the purchase of water rights, TIS have had a scheme whereby people could opt to use that five-year or 10-year option - and Scott knows what I am talking about - and/or they could use their own banking facility. It would seem - and this might go through to Mr Lord - that IDB has not had that same facility available. Is that correct?

Mr LORD - That is correct, Chair. We do not provide a government-backed funding facility for farmers. The farmers have to make their own arrangements to finance water entitlements.

CHAIR - We have had farmers approach us to say, 'Our commercial lending facilities are a bit reticent about lending to buy the water right itself'. There was something written up in the *Australian* recently that the Government 'may' be looking at providing some sort of facility to assist those people.

Mr GREEN - We are always consulting about these matters and if there are mechanisms that might be available to assist we could possibly look at those. We are having some work done, a paper prepared, to allow the Government to understand whether or not some assistance along the lines you have just talked about are appropriate.

CHAIR - Why did TIS provide that facility and not IDB?

Mr GREEN - It was a different structure at that stage with the Meander Dam specifically I think.

Mr ASHTON-JONES - At the time we found that a good way of selling the water, Chairman, and we could under our financial constraints. I think that is the simple answer. IDB operates differently.

CHAIR - I am not disagreeing with it, I think it is a good facility, but the question has been asked.

Mr GREEN - We had a situation with the Meander Dam. We had a lot of political capital invested in the Meander Dam but in the end there were not too many farmers taking up the option on the water available. It was not until we started and people could see that the infrastructure was going in and that there was opportunity, that the water started to sell. It is within the constraints.

Mr ASHTON-JONES - I think there is an experience of Meander, and I think also with IDB. It is hard, and it particularly was with Meander, to get the irrigators to respond with commitments to large links of capital until they are confident about the scheme. It is a bit of a chicken and an egg here. The scheme can't go ahead without the capital and the capital is not always forthcoming without the scheme. The trick is to give the private investors confidence that the scheme will go ahead and then they will come up with the money appropriately. One way we did that was to soften the blow and provide a longer-term facility. With Meander, it was a slightly different case, as the minister has said, from that which IDB is dealing with, on a couple of fronts.

Mr LORD - We are working with banks and others - and it may take a little while - to try to achieve a situation where commercially lenders will lend money secured against the water entitlements alone. Everyone would be aware of the Torrens Title System here, title for land. At the moment there is not a Torrens quality title system for water register. In the schemes that TIS runs there are registers and the opportunity of equitable interest being recorded but it does not guarantee that. There is discussion going on and it will continue for a while. It may take some years for there to be a Torrens quality registry system for water entitlements.

Mr WILKINSON - Does that happen interstate, John?

Mr LORD - It is a requirement of the National Water Initiative that there are registers and everything is tradeable et cetera. But just looking forward, we envisage a time and it will require a little bit more confidence, when people are really confident about the value of water. We were delighted with TIS striking the price as they did in the Meander Valley because it really changed the paradigm for farmers acquiring water entitlements in the State. Up until then, governments had built schemes and given them away. As Scott has indicated, the farmers were very chary about taking up water even when the Meander Dam was built and we have had the opportunity of building on that. They broke the ice in terms of, if you have to pay real money and it is worth real money and you can now sell your water separately from your farm. So it is like a share in BHP and this is a requirement of the COAG settled national water initiative. In due course it will be tradeable, secured just against the water entitlement.

Mr WILKINSON - Am I right in saying that is nothing new because that happens in Victoria too, does it not?

Mr LORD - Yes, this is a national policy. This is COAG. The COAG agreement on water for both domestic and irrigation in Australia is called the National Water Initiative and that sets out the rules.

Mr WILKINSON - One of the problems with that though, of course, is if they sell the farm separately from the water which causes real strains on the farm continuing to be a viable proposition, especially if they cannot get the water for the prices they get.

Mr LORD - You are quite right and you would be aware of situations on the mainland where farmers have sold the water and in some cases the land is basically unsaleable.

Mr WILKINSON - That is right.

Mr LORD - So in the district in which I live, which is the northern Midlands, a part of TIS Cressy-Longford existing scheme, when properties are sold there, typically there will be two contracts. There will be a contract for the land and a contract for the water entitlements in the Cressy-Longford irrigation scheme as well. They usually go hand in hand but they do not have to be.

Mr GREEN - Some of them would not have had water at all if it were not for the schemes. Some have historical water rights and, of course, there are farm dam storages and a whole range of other things that can occur.

Mr LORD - Chairman, one other comment that is, with respect, important for your committee to understand. The TIS scheme at Meander is 100 per cent reliable but Meander Dam is probably the best site in the State, I reckon, for farm dams, brilliant because of the hydrology. We design schemes and put them forward only when we are satisfied that the reliability of the water is 95 per cent. This is almost unheard of in Australia.

I have a cobbler who farms outside Orange and I asked him to tell me about their water entitlement. It comes out of the Macquarie system and they had water entitlements there. The reliability might be 20 per cent. They collapsed 10 of them to three. They have high value ones and the reliability might be 80 per cent. Ours are 95 per cent and if it is a district where you can have a few dams on your farm and you can catch a bit of winter water, in a practical sense, it is going to be 100 per cent or very close to 100 per cent which means a paradigm shift in two ways. One, farmers can contemplate horticultural crops, vines and trees which require driven water each year to keep them alive.

Mr WILKINSON - I can butt in, 20 per cent in Cahoon a couple of years ago.

Mr LORD - Yes and we are 95 per cent and people forget that. The other thing is that if I am a farmer in that district and up until now I have been an opportunistic green pea grower or something like that or a poppy grower, it depends what I have in the dam as to what contracts I can enter into with you, I can now be a business person and say to you, you are my market. I am going to invest in more infrastructure. I need a five-year contract from you for a business case for the few hundred grand I am going to spend on the farm. I can now guarantee that I will be able to turn off that crop for you because I have this water that I have acquired through water entitlements in the scheme. Even if we have a dry winter, I will be able to finish the crop. Many districts have not been able to go to the market like that. This is a new paradigm.

Mr WILKINSON - That is why I mentioned it. A couple of my mates, who are farmers up in that area, all they had was 20 per cent, their normal entitlement and -

Mr LORD - Very difficult.

Mr WILKINSON - That is right, extremely difficult.

Mr LORD - That is the difference. That is the opportunity we have here. As you would be aware, we are about 1 per cent of the land mass and we have about 12 or 13 per cent of water. That is one of Tasmania's competitive advantages, forever.

Dr GOODWIN - John, you mentioned your job list and the fact that you have to work on all projects concurrently or that is the expectation. So in your report on operations I think there were about 12 schemes or dams mentioned. Do you have a time line for completion of those and when it is anticipated?

Mr LORD - Yes, we do and I might ask my CEO to run you through those. But may I say that under our terms of reference, we were set up, and it is a written document, a cabinet document and we were given a list, the minister may vary that and that has happened. We have a diagram that we can give you if you are interested which shows the originals morphing through to where they are now and in many cases we have taken what we were given and split it because we found the ways of doing it to be better, joining bits here and there. It is a diagram that has arrows going from A to B and it has moved as we have gone through. I will ask Chris to run through it.

Mr OLDFIELD - We have two schemes currently under construction at Headquarters Road, which is a relatively small scheme, a dam near Scottsdale, and the Whitemore scheme in the north. Both those schemes are nearing completion. Headquarters Road is a dam. We have been slowed in construction of that over winter and whilst it is a good place to have a dam it is a bad place to build a dam because it rains a lot, so we have had problems with soil compaction there but the work on the dam wall will start almost any week now. The spillway is finished and that will be completed in the new year.

The Whitemore scheme, which is underground pipes with no substantial dam involved, is nearing completion. The main trunk lines are in and there are some smaller branch lines about to finish and that scheme again will be operational next year.

Our next scheme will be Sassafra-Wesley Vale, which is providing water into an already established irrigation area. We would hope to be able to announce that that scheme will be commencing construction in the very near future. It is a scheme that will bring enormous security to an area that already has a lot of irrigation experience and it is utilising the old Wesley Vale paper mill branch line which we have acquired and construction on that will start very soon and maybe even before Christmas, with a bit of luck.

Probably the next scheme after that will be Winnaleah, which is an augmentation of an existing scheme in the Scottsdale area. We have gone to the point now of having received approval for our business case so we have gone to water sales. The water sales there are being conducted in two parts, the first part of that is completed and we are now into the second round of water sales and we would hope to have that completed fairly soon. That is still subject to a number of approvals but subject to those approvals being obtained we could start construction on that project potentially in the first quarter of next year.

After that we have a number of other schemes in various stages. Probably the lower South Esk is the next one. We have two schemes being based in the Midlands and one is the lower South Esk which is centred around a water supply in Conara and the second part of that is a major Midland scheme which will take water from Arthurs Lake down as far as Jericho and various branch lines. Both those schemes are subject to a Federal Government strategic assessment and that assessment, of which the State is a proponent, will be completed we would hope by March. We are working on both those projects so we have all other approvals in place. We have a business case on lower South Esk that we hope to get to the Government within the next month and that being the case and subject to receiving that Federal Government approval, both those schemes could start construction next year, the lower South Esk being the one we would want to

start first. The weather will determine when we can start that so we would like to think that we could start that in late March.

They are the main schemes that we are now really working hard on. All of the other schemes are in various stages of assessment from going through preferred option through to establishing business cases.

Dr GOODWIN - So you would probably expect to have them finished within five years? I think you mentioned that before.

Mr OLDFIELD - We would hope. I think initially it was before my time. When the IDB was established it was meant to have a three-year life and we are two years into it and I think we still have at least a three-year life.

Dr GOODWIN - That was my next question, whether it does have a definite life cycle.

Mr OLDFIELD - Nobody joins the IDB thinking this is a long-term career. On that basis we tend to attract a certain sort of person who wants to gain experience in significant construction work and infrastructure development so we have very much a project culture and a construction culture and focus within the business. We are not setting up a business that is going to last five or 10 years, we are setting up a business to get these schemes finished and then the IDB is finished and that is our aim.

Who knows what other schemes may evolve. We were approached by a group of farmers from Dial Blythe in the area at the back of Penguin who asked us to look at a scheme that they have been considering for some time. They approached the minister and the minister has given us an instruction to continue with that. We do not know if there will be any of those but our aim is not to be a long-term organisation.

[2.00 p.m.]

Mr GREEN - I am sure there will be others. Certainly Smithton, there will be Circular Head - they are jumping up and down.

It is important to recognise as part of the whole process with respect to the National Water Initiative, that we had to have catchment management plans for each of those catchments. Even areas such as Wesley Vale have been heavily irrigated for a long time. It all has to be ticked off formally. If we get to a point where we can't manage to build one of these schemes, you can rest assured that it will not be through lack of trying. We will have turned over every stone with respect to understanding what the issues are with the project. If it does not fly, all of Tasmania will know why it doesn't fly.

Mr LORD - We are like a jobbing builder. We are given a job by the minister to look at and potentially build. Some districts have looked at their districts, and the classic is the south-east, the Coal River Valley; they were not on our initial list. The Coal River Valley Products Association took the initiative and produced a quality business case that there should be more water provided to their region. It was compelling reading. The minister of the day read it and added it to our list. There is going to be substantial work potentially done there, not because it was on the list but because they got off their backsides and organised themselves and did it, and Dial Blythe is another one. We are not responsible for the political decisions. If groups such as this come to us we will entertain them, have a chat and explain roughly what we do and then say, 'You go away

and work out whether a scheme in your district is going to tick these boxes. If that is the case, go and talk to the Government and put your case'. The minister will look at that and he may very well write to us if the case is good enough and ask us to add things, and this is what has happened during our life. We do not initiate it, we are not an economic development unit, we are not picking winners, we are simply jobbing builders to build what the minister writes and asks us to do. Some districts have got off their backsides, done some good work and they are going to reap the benefits; they will get their name on our list.

Ms FORREST - You said earlier, John, that a number of north-east schemes were scrapped because they did not tick off on your test -

Mr GREEN - There were issues with eucalyptus ovata and various other environmental issues that were almost impossible to get over.

Ms FORREST - Were they projects that were in the initial 12?

Mr LORD - Yes.

Ms FORREST - So potentially some of those have been knocked out?

Mr LORD - No, may I explain, Chair. What we were asked to do initially was to look at seven dam sites and we looked at them and thought they would not fly so we took the liberty of saying that what the Government had asked us to do was to provide water to seven districts. My acting CEO, when Jock was sick, Greg Stanton, said to me one day, 'Please sit down, John' and I said, 'Why?' and he said, 'I've pulled the team off all the north-east dams and sent them off to look for water storage sites outside the major river valleys'. He took the view, and he was right, that it would not work socially or environmentally to battle through and try to get permission to build big dams in the major rivers. What we are doing is looking at delivering the same water to the same districts, so the plot is the same but how we are going to do it is different. We have not walked away from any scheme, but the way in which we are doing a lot of them is radically different from what we were given in our initial folder.

Ms FORREST - Chris made the point that a number of groups, such as the Coal River Valley and Dial Blythe have got off their bums and done something. Circular Head has not gone to that degree then? I know Circular Head has done some work -

Mr GREEN - We have had initial meetings. There was a forum, as you well know, about water and, as a result of that, we have committed to undertake certain work to understand yields and potential environmental problems associated with the other river, for example. It is preliminary to our thinking about what a scheme might look like into the future because we have to understand that baseline information first. We are doing that work.

Mr OLDFIELD - We have been approached by people in that region and we have given them the exact advice that my chairman mentioned. That is, if you get yourself organised and approach the Government we would be delighted to be of assistance. If we can provide some preliminary advice we will, but it would only be preliminary. That has occurred, but at this stage we have not been approached formally to investigate schemes.

Mr GREEN - They want to set up a water district and issues associated with that. Once you make that move it is a significant move.

Ms FORREST - Would you require a certain amount of sign-on for that before it would even get any legs?

Mr GREEN - You need understanding amongst people as to what is required effectively to set up a water district.

Ms FORREST - An understanding is one thing, sign-on is another.

Mr GREEN - There are two aspects. For example, the Macquarie Settlement; they made a decision to effectively do their own. They provided all the necessary capital et cetera to get that project over the line.

Someone in Circular Head might want to do that; who knows? If we set up a water district then there is a lot that has to go with that from the point of view of who has the opportunity to take the water and all these other things.

Mr LORD - Minister, if I may add, one thing that I omitted when I stepped you through our process is that when we are preparing a preferred option and when we are in the process of doing it internally the local leadership group will be put in place. At that time that leadership group will go around and seek expressions of interest from their fellow farmers. That is very important because we need to know what the appetite for water is.

Ms FORREST - That is what I am saying about the sign-on.

Mr LORD - A district would really need to have done an EOI survey. Some of the districts, when we formed the leadership group, had done that. We had spreadsheets given to us in the very beginning; we did not ask for them, they had actually done it, which was fantastic.

We would be saying to a group who were interested that if they are going to go and talk to the minister they need to look at what the economic benefits might be but they had better have a list of all their farmers and roughly what sort of water they would be interested in.

Ms FORREST - In that case, the \$240 million, I know that you haven't a crystal ball but are we likely to see any more funds flow either from the Feds or the State? This may be a question for the minister.

Mr LORD - I cannot answer that, it is the minister's question. What I can say is that if one or two of our schemes do not meet the tests, if that does happen in our future life then there may be some funds, as we perceive them at the moment, left in the Government's work fund.

Ms FORREST - The question is then, when the money runs out is that the end of the game?

Mr LORD - That is for the minister.

Mr ASHTON-JONES - Just on that, it is probably worth noting that when we find expressions of interest from local districts that is done in cooperation with the TFGA because it really is their members in the main who will benefit, so they are very actively involved and they have somebody full-time on this liaising with local irrigating communities.

Mr LORD - If a district was interested they could do a lot worse than go to the TFGA and say, 'Hey, can you give us a hand? What do we have to do?' And check out whether it is possible.

Ms FORREST - I am just wondering if the money runs out before. Circular Head was put on the second list - the reserve list, effectively, when the 12 projects -

Mr LORD - I am not aware of a reserve list.

Ms FORREST - Oh John, at a meeting at East Devonport you said -

Mr LORD - I beg your pardon, yes, I did, that there may be a second list if there are not sufficient funds, but we have not contemplated a reserve list since that time, actually. It is as though I could say to you that there is not a reserve list anymore. We have learnt enough to say to the Government we can do all the jobs on our list now. The Government has added a couple and we think we can do those as well.

Ms FORREST - That means Circular Head is not on that list.

Mr LORD - Not at the moment. The minister has not written to us on that. I would encourage districts in the State to be opportunistic and have the confidence that if they have a really good business case they should put it forward. Then the Government will think about the dollars.

Ms FORREST - But if the \$240 million runs out in the meantime -

Mr GREEN - There is a range of other things we need to do down there too, don't forget.

Ms FORREST - I know.

Mr GREEN - And a lot of that is around infrastructure generally. It is all right to talk about the expansion of the dairy industry but you have to have the land, the electricity and other things involved in it to set it all up in the first place.

Ms FORREST - If the \$240 million runs out, does that mean that they then miss out, even if everything else ticks off?

Mr GREEN - At the moment we have enough money for the foreseeable future to do the projects that we have. There is a whole range of things that might happen on into the future with respect to expansion opportunities for various sectors a government could possibly consider. The innovation strategy that the Government has considers all of those things from the point of view of development. But essentially, yes, it is not on the list.

Mr LORD - If I may add a comment, I mentioned culture. The culture we have is a can-do culture. We are not silly about it. I firmly believe that districts need to be opportunistic and need to look forward and believe. If this district believes that the scheme would be good for them then they need to have the confidence to do the basic work, put their act together, go and talk to the Government and if it is good enough you may very well find that the Government of the day somehow talks to us.

Ms FORREST - That was the question I was asking.

Mr LORD - We should be positive and not negative.

Mr GREEN - I am sure you are aware we have had lots of discussions with various groups with respect to opportunity that might exist in the Circular Head region and of course the Government is very keen to facilitate that if we can but we have to understand what people want in the first place.

Mr ASHTON-JONES - Obviously money is a critical issue but it is not just money. There are some groups we have spoken to where local irrigators say they think they could probably build this scheme for about the same price as us but they simply cannot do it. They do not know how to handle the approvals processes. They do not know how to build things. They do not know how to deal with contractors. They cannot get through the myriad of approvals. On that basis the TIDB, which is set up to be a resource, has those levels of expertise so we can actually deliver projects that other groups simply could not have done -

Ms FORREST - But they pay for it, though, are you saying?

Mr ASHTON-JONES - We would still do it and then we would run it like a normal TIDB scheme but, as well as being a vehicle by which they gain a subsidy for the building of it, importantly they are also getting intellectual property to allow it to be built because it is very difficult for small groups of irrigators to go through these processes, and that is what we can do.

Ms FORREST - That brings me back to the point of the TIDB being wound up in the future.

Mr GREEN - You are confused a little there with respect to Ruth's question. It was about the money running out. Groups can come with their own money and we can facilitate it.

Mr LORD - Mr Chairman, just to be clear on this, we have a standing model we are using and to take the example that Chris Oldfield has mentioned, if there was a district where the farmers could in theory build it for about the price that we would charge, we have an example where they have effectively come to us to say, exactly as Chris has said, and there is not a lot of difference in dollars, they cannot do it but we guys can. In that case there will not be very much public subsidy needed but the scheme will be built by us without making a very big dent in the Water Infrastructure Fund. Not all the schemes are going to require 50 per cent of the cost to come out of the Water Infrastructure Fund because of the circumstances in that district so everyone must have the confidence to have a really good look and believe it can happen and then our job is to make things happen.

When things were hard - and Jock was brilliant at this - we ran into various brick walls and Jock would send his team away and say that has not worked, go away and think laterally, and that applies to the funding and all this stuff.

Ms FORREST - If the TIDB has a defined life, and Vanessa alluded to that, and it is wound up then that opportunity is lost to a degree and that would be a concern in the future if there are areas that are willing to fund themselves.

Mr GREEN - I am sure there will be other projects come to light as we move through this. We have set ourselves a target and I do not want to be confusing the matter with respect to targets.

In the interim if there are other schemes that are presented to us as likely and viable opportunities to provide for further economic wealth generation, et cetera, then of course the Government will be interested in those.

Ms FORREST - Is there a benchmark for the level of public subsidy at the moment? How is that assessed?

Mr LORD - The level of the public subsidy is basically what is left to build the scheme. We have a way of considering what we believe is an appropriate price to charge the farmers for their capital contribution and this is our basic economic modelling. The scheme we have just been alluding to is one where when we charge that the cost of the scheme is not very much more than that so the public subsidy will be quite small. In some cases, the public subsidy will be at least as much as the farmers contribute. When we get schemes where the public subsidy will be a lot more than that there is a natural hedge; we actually fail the economic test. There is a natural balance in there.

Ms FORREST - Between those two levels, though, where very little is required, what are the benchmarks that you assess that against?

Mr LORD - They are the same benchmarks that we use across all our schemes. Let us assume that we might sell water for \$1 200 a megalitre, just to pick an example. If the scheme costs \$2 200 a megalitre then \$1 000 comes out of the public purse. If the scheme costs \$1 300 then only \$500 will come from the public purse. Across the districts with the jobs we have been given on our job list, the physical situations and the economics are quite different, so the level of subsidies varies widely. It is the bit that is needed to bridge the gap to get the scheme built provided we have a tick in our economic box.

[2.15 p.m.]

Ms FORREST - That's your level then?

Mr LORD - Yes. Just to reiterate the point that Chris Oldfield was making, we are now finding some districts that could build it, in theory, for the same price we would charge them, coming to us and saying, 'We don't have the time or expertise. We know it's going to cost the same'.

Mr GREEN - Dial Blythe is an example of that.

Mr ASHTON-JONES - Those farmers have been contemplating that scheme, as you know, Minister, for some years, and now we have an ability to help them get it off the ground.

Mr GREEN - That is a \$5 million project.

Mr LORD - With very little, potentially, coming out of the government bucket, and they know that.

Dr GOODWIN - I am somewhat intrigued by the structure of this GBE with the Rivers and Water Supply Commission sitting on top of the two wholly-owned subsidiaries and I am getting a better understanding of why that might be. I am interested in the logic of it, if someone could explain it to me.

Mr LORD - Of why it is there?

Dr GOODWIN - Yes.

Mr EVANS - It is a very good question. When we first conceived of the Irrigation Development Board and established it we looked at models for how we might do it quickly and settled on a model similar to the one that the Government used with the Basslink development project. In that case, they set up a Basslink Development Board but the project team sat within Treasury. We needed to move quickly and we thought we could do the same with the irrigation development project. We set up the Irrigation Development Board, with the intention that the organisation itself would sit within my department. It became apparent very quickly that that was never going to work. We needed to take it outside of a normal public sector environment and give it more freedom within a more commercial environment. We looked at various models as to how we could do that and the most expeditious way to do that was to incorporate the TIDB as a company and establish it as a subsidiary to the Rivers and Water Supply Commission. At the same time the decision was taken to take the old commission business, which is now TIS, and incorporate that also with another subsidiary. The Rivers and Water Supply Commission became the GBE, essentially a shell operating in charge of two subsidiaries.

Dr GOODWIN - Which will eventually become one perhaps? Will it just be TIS if the TIDB finishes its program of work?

Mr EVANS - We are looking at the governance model. This has been operating for 12 months or more now and it is not the most efficient to operate water irrigation businesses in the State and we are reviewing the governance models at the moment.

Dr GOODWIN - I was interested in finding out a bit more about the Wealth from Water scheme that you mentioned, Minister, in terms of the funding and what the projection might be going forward.

Mr GREEN - It is \$750 000 this year. We are undertaking a pilot project in the Meander area specifically. There had been a small pilot done prior to that to allow us to understand what useful data could be gained, so this has wider parameters based on the fact that an irrigation scheme in Meander is ideally situated or suited, given that there is water running west towards prime dairy country and water running east to potentially prime horticultural and cropping country and a range of soil types et cetera. A project team has been established which is looking at a significant footprint for that potential irrigation district overall. Once that project is done, I think it will give the Government and the farmers in that region a better understanding of what their potential is. It will take into consideration issues such as climate change, elevations and what we might be able to do into the future when it comes to frost and other things such as that that have an effect on what you might be able to grow in an area. From that point on, I think the overall funding was \$7.2 million and it is our intention to roll that out across the various irrigation districts that are well mapped to allow us to understand the future wealth that we can generate from the water that will be delivered, bearing in mind that the last project that Chris Oldfield talked about with respect to the Midlands is an \$88 million project and will have about 500 farms involved so it is a significant project from the point of view of its size and scale and I guess, in many ways, has the potential to transform the area of the Midlands within the irrigation district in a way that, perhaps, would never have been imagined in the same way that the Coal Valley has been changed.

So we have to make sure that we give farmers a proper understanding. That is why the Commonwealth has been so rigorous with respect to its own assessment of that whole district. Initially, I have to admit, I believed that it might have been more efficient for us to get on, say, with the South Esk scheme, have that assessed and then worry about the Midlands one after so that we were making a progression but I was assured that it was far more useful to do the whole of the Midlands area in one go so that we could actually progress both projects in parallel, effectively, and that is exactly what we are trying to do.

The Wealth from Water project is significant. It builds on the cause project, positioning equipment that will be put in place to allow farmers to farm in a far smarter way based on satellites and all the rest of it, which is also important. Tasmanian agriculture has the potential, as a result of the irrigation development schemes and all the other associated work with it, to really take advantage of our natural assets, as John pointed out, in terms of the volume of water that falls on Tasmania but also, I guess, the hardship that is coming to other parts of the country based on poor water management in the past. We want to take advantage of that. We want the schemes to stack up. They are 100-year schemes. Sometimes people get frustrated with the length of time it takes to get these things over the line. I do, myself, but I have had to understand that once this scheme is built it is there for 100 years. It is no tin-pot scheme or arrangement that we are entering into here; it is long-term infrastructure that will be built for the benefit of Tasmania into the much longer term.

Ms FORREST - Where does the money come from for the water projects?

Mr GREEN - Some of the funds are from DED -

Mr EVANS - The initial \$750 000 allocation went to DED in the Budget as part of the innovation strategy funding and they have passed that funding on to my organisation.

Ms FORREST - Your organisation being the River and Waters?

Mr EVANS - No, DPIPWE.

Ms FORREST - So then this is probably getting off the Rivers and Water a little bit.

Mr GREEN - It is a bit.

Ms FORREST - Yes, but one of the issues regarding irrigation, where it is and for what purpose, basically comes down to the bottom line of why you would even bother and that is, what sort of crops will you grow, where are your markets for them, are there markets for them? Where is that work being done? Does that come under that umbrella of Wealth from Water?

Mr GREEN - It certainly understands the style of crops but not necessarily where the market is but, by the same token, it provides the opportunity for people who potentially want to invest in horticultural operations somewhere in Australia to understand straightaway what the profile is et cetera.

Ms FORREST - Isn't that really important, though?

Mr GREEN - It is and that is exactly what we are doing.

Ms FORREST - There is no point growing something if you cannot sell it.

Mr GREEN - It is important. The thing is we want to be in a position to be approached by people but we also want farmers to be in a position to know and understand how they might be able to expand their own enterprises. I admit it is the toughest part of the process; first, getting farmers excited about it and second, understanding in your own mind what you might be able to achieve. We use the analogy all the time that 10 or 15 years ago there were sheep grazing in the Coal Valley in an area now that is producing lettuces, an amazing turnaround, or the apricots or the viticulture or growing seed for cauliflowers to send to Holland.

Ms FORREST - The point is that, for example, the lettuces met a niche market at the time and they have now become really almost a commodity so you can't think you have done your work once you have that one up.

Mr GREEN - No, we are not suggesting that for one moment. But I am just putting it to you that the difficulty is to see the future and what we have to do -

Ms FORREST - That is why we need to be investing in that.

Mr GREEN - is put the process in place to allow people to see the future and the future will revolve around our providing the necessary information for people to make investment decisions about various crops.

Ms FORREST - It really has to happen in parallel then, does it not?

Mr GREEN - That is why we got the Wealth from Water project going and we have people knocking on our doors.

Mr EVANS - I think it is fair to say that in an ideal world, you have done all the work under Wealth from Water in advance of the irrigation development but the real world is not like that. We are doing both in parallel. We have the pilot for the Meander underway at the moment. We need to be able to ramp up and expand the Wealth from Water mapping and other work very quickly and, to that extent be guided in terms of where we do that work. In that respect, I have written to the Irrigation Development Board just last week and invited the CEO onto the steering committee for the Wealth from Water project so that we can have the benefit of the their work and their priorities and work plans feeding in to help inform us where we do our work. So they are happening in parallel but we are trying to integrate them so that we get maximum benefit from the IDB's irrigation work and undertake the mapping in the most strategic way.

Ms FORREST - How many people are employed in the Wealth from Water program and where are they employed, under DPIPWE or Economic Development or whom?

Mr EVANS - It is a complex project.

Mr GREEN - It involves NRM.

Mr EVANS - The heart of the project is about the detailed mapping and modelling that is being done and we are drawing on data from a whole range of different sources for that including the Bureau of Met, from within my organisation, from Hydro and elsewhere. That is the heart of the project. Then we also have streams of other pieces of work being run by DED, for example,

around market opportunities, by the Tasmanian Institute for Agricultural Research and we have the expertise in terms of Research and Development and Extension. All of that is feeding into the Wealth from Water project. So there are a number of streams of activity.

Ms FORREST - You must have some people dedicated for the task?

Mr EVANS - Yes.

Ms FORREST - How many are there and where do they sit?

Mr EVANS - They sit in my organisation.

Ms FORREST - So they are funded by DPIPWE under the DPIPWE budget and how many are there?

Mr EVANS - I could not tell you exactly. We have a project manager, Ashley Bastock, and we have teams of modellers and other experts.

CHAIR - You might have to take that on notice I think and provide that.

Mr EVANS - I am happy to provide you with a resourcing -

Ms FORREST - It is feeding into this parallel process though, that is the thing or it should be.

Mr WILKINSON - Can I ask about luring mainland farmers to Tasmania? There was a report I think in the *Australian* a short time ago in relation to the IDB and the Premier going to the Murray Darling area to try to lure irrigators to Tasmania. How has that been going?

Mr GREEN - The Premier is working towards going to the Murray Darling area in the new year. Of course, what the Premier has also been saying is that everything we are doing is to provide opportunity for Tasmanian farmers first but there is also an opportunity to ensure that people who have expertise in a whole range of areas, given Tasmania's circumstances, might like to consider coming to the State to set up and bring their expertise, which would be a very good thing. So, yes, the Premier, along with the Chair are very enthusiastic, as am I, about that. But I want put on the public record firstly, that everything we are doing is about looking after our Tasmanian farmers with respect to giving them opportunity.

CHAIR - You really need to go up there in a drought year. They are awash at the moment, unfortunately.

Dr GOODWIN - Yes, they cannot film *Mad Max* because there is too much water in the desert or something.

[2.30 p.m.]

Mr LORD - To add a little background to this, if I may, the idea came from a farmers' meeting at Scottsdale. Mr Oldfield was attending and it was asked, 'What about it?' Some of us in former lives have worked with and for families who have come from New Zealand and England to farm here. With families who move, their personalities tend to be quite focused, and they are people who are out to do things. So it is our view that a few families coming in would

provide, in some districts, quite a lot of impetus. They would bring in ideas, innovation, drive, role models if you like. The other thing that is very important is that we have what we call brownfield sites like Wesley Vale, Whitemore, what have you, where the farmers are used to irrigating. We have greenfield sites like the Midlands and this is a totally different world. This is much harder. If I were a sheep grazier in the Midlands and I had 5 000 acres and the age and stage that I am at in my life -

Mr WILKINSON - Prime.

Mr LORD - Thank you, Mr Wilkinson - just about had it. And my balance sheets are RS because of the last five years. I am half stocked at the moment.

Mr WILKINSON - Roberts Stewart.

Mr LORD - Sorry, the balance sheet is not very good because I have lived through five years of drought. The last year or so have been great but I have only half the stock because I cannot buy the rest, so I am not improving much. My farm is a grazing property but in the middle of it is a couple of hundred acres of river flats and there is a rivulet that comes through it down which water could be delivered from the Midlands water scheme.

What are my options? I could go to my banker and say, 'Could I borrow money to buy water and then borrow more money to put in infrastructure and start to grow crops?', an enterprise in which I have no skills, training or experience, knowledge of markets or anything at all. My bankers will say no. If they were silly and said yes, it might be the catalyst that causes my family to lose the farm. That is not the only option.

Another option for these families is that they actually find someone. They find the Forrest family from the north-west of Tasmania who are experienced irrigators. They know the markets, how to do it, and are wishing to diversify and expand their business. They may come and say to our family, 'You have the land. You buy the water. We will lease that 200 acres, that little irrigated potential farm inside your grazing property, for five or six or seven or eight years.

We will put the infrastructure up on some basis and then when we finish that we will walk away and leave it there. We see that there is real scope for alliances, partnerships, all sorts of arrangements like that in the greenfield sites.

Maybe families from elsewhere in this State or from interstate come into the greenfield districts and say, 'Yes, we would like to lease a bit of ground and have a go'.

That I think is the merit of what is being discussed.

Mr WILKINSON - And that was what your focus was on at the time you were thinking of it?

Mr LORD - Yes. The idea actually came from a farmers meeting at Scottsdale.

Mr WILKINSON - Is that used anywhere else within Australia that you know of?

Mr LORD - No. We are not aware.

Mr GREEN - If I remember correctly, didn't someone talk to the Dutch about dairy farmers?

Mr LORD - The minister is right, the dairy farming industry has an active program to allow non-farmers to work their way in through share farming. It is very good. No other sector has that.

Mr WILKINSON - Have any farmers relocated as a result of the idea as yet?

Mr LORD - This has not happened yet. The article in the *Australian* said, 'Tasmania is open for business'. We are privileged. We have got some water here. If someone is getting a bit sick of the heat on the mainland they might come to a cooler climate and enjoy Tasmania.

Dr GOODWIN - There was mention earlier about paying off the debt from the Meander Valley Irrigation Scheme and I am wondering what the level of that debt is?

Mr PAINE - The Meander Dam debt currently is around \$15 million. That will be discharged gradually as we sell down our water rights. That was part of the reason behind some of the arrangements that we put in place when we first built the Meander Dam. The majority of the funding was to be through debt funding. Whether we got that debt funding through Tascorp as we can as a government business enterprise or through irrigators by offering five- or 10-year plans, it did not really make any difference to our balance sheet. That is what created that opportunity at that time for us. But that will be discharged over the next five to 10 years depending on the final irrigation right sales. But we hope to fully sell the irrigation rights over the next five years.

Ms FORREST - Do you believe that the water is being sold under the most appropriate process and when do you bring the revenue to account?

Mr PAINE - On the Meander Valley scheme?

Ms FORREST - Any of them, but Meander is the case in point.

Mr PAINE - They are different schemes because they have different funding arrangements. The approach to the sale of irrigation water is slightly different because of the slightly different funding arrangements. The Meander Dam's historical arrangement was in place when the dam was foreshadowed.

Ms FORREST - So the Meander Valley one and subsequent ones will be the same?

Mr PAINE - No, there is a new model that the TIDB has developed for its State and Federal funding arrangements, which has a different sale approach.

Ms FORREST - Can you explain both of them?

Mr PAINE - Our sale approach has been to make offers to the irrigators at regular intervals. We started with the commencement of the construction of the dam but then we followed that up with further offers to irrigators on either a six- or 12-monthly basis to gauge interest. That does not preclude irrigators from coming to us at any time and knocking on our door and saying, 'We want some water, have you got some?', but we do do an active sale approach. Generally, at a six-

month interval we do a specific mail-out to our irrigators and make an offer and say, 'This is the current price and these are the current arrangements'.

Ms FORREST - When do you bring the revenue to account?

Mr PAINE - We bring the revenue to account when the irrigation offer is signed. If they are buying the irrigation right outright, it is when they pay the cash and we issue an irrigation rights certificate. If they are signing up for a five- or 10-year fixed repayment plan, we bring that to account at the time at which the contract is signed and they start making the repayments.

Ms FORREST - So at the beginning of the five-year period or whatever it might be?

Mr PAINE - That is right, yes.

Ms FORREST - So what about the TIDB?

Mr LORD - Our model is different. As I explained earlier, our role is to provide an opportunity to a district. We have been able to change the model to do that. We will only proceed if we have a substantially pre-purchased water portfolio, let us say 70 per cent. In that case the government will hopefully approve the contracted players and then construct the scheme. Once it is built and running, we ask the farmers for the balance of their funds.

Ms FORREST - So that's when you bring it to account, at that point?

Mr LORD - Yes. From an accounting point of view, we would then bring those funds to account as income. In terms of building our schemes, we only proceed against a fully-funded business case. If the scheme is going to cost \$10 million, we know where the money is coming from and we have sold 70 per cent of it. So 70 per cent of the farmers' part is in firm contracts, the Government has committed to the balance and also to the working capital for the balance the farmers have not yet taken up. We go to the landowners in the district first and give them the first go. If we get to the threshold that we require, we will go ahead and construct the scheme. The balance we will then make available on an open market to those occupiers as well as anyone else. If we do not get to the threshold, we haven't completed the precondition in the business case. At that stage we will consider going to the open market in order to get sufficient take-up to achieve the business case condition. Placing the water on the market is a double stage. The local landowners get first go and if they take it all up, fine, but if there is a shortfall it is open.

Ms FORREST - One of the barriers to this can be the cost, obviously, it can be speculative in some cases for some farmers. There has been a suggestion that a scheme such as the HECS scheme could be put in place, where they can defer the payment until they reach a level of profitability or an income from that work. Has that been considered at all?

Mr LORD - That is a funding issue, which is a government issue not ours. When we start and look at a district we will get advice on what the soil types are by areas and we know from our advisers what the sustainable use of water per hectare on average is, so we can look at a district and say, 'If it was fully watered it's x megalitres'. We do not provide schemes with x megalitres, we provide a scheme with only part of x . We then get advice from the local leadership group as to what the farmers' appetite is at that time and we then scale our scheme for the initial expressions of interest. When we come to say, 'Sign up, please', that is sometimes a different number, but we have built our whole scheme based on what the marketplace said it would like to buy.

Ms FORREST - But there is still room for expansion at a later time?

Mr LORD - There would be because our schemes do not provide all the water that a district could potentially sustainably use in the long term.

Ms FORREST - Will the minister address his mind to the option of a HECS-type model where it was a challenge to meet -

Mr GREEN - Obviously there have been a number of approaches made and ideas suggested about what a future model might look like and I am saying that it requires quite a bit of work.

CHAIR - Not just for farmers but whole developments.

Mr GREEN - Getting people onto farms has been talked about for a long time and, as the Chair said, the only realistic way for young people to get onto a farm, particularly dairying, was by building up a herd over time and owning the herd and then eventually buying land. There are ways we are addressing those issues but it does require a lot of work.

CHAIR - Minister, I am aware that we are down to about four or five minutes. I just have two or three very quick questions. One to Scott. The old drainage trusts, do you still have carriage of some of those?

Mr ASHTON-JONES - Yes, we do. They carry on under review each time and it would be nice for some of them perhaps to go to the local operators and like all things going to the local operators you need the enthusiasm and the expertise and the inclination.

Mr GREEN - It gets back to the point Ms Forrest was making. Circular Head wants more water but at the same time we are operating a drainage system there.

Mr ASHTON-JONES - The short answer is yes.

CHAIR - Minister, you put out a press release back on 28 September saying a leaking irrigation scheme was to be fixed. How is that going, the one coming down from the lower Clyde?

Mr GREEN - I have signed off on it.

Mr OLDFIELD - That is a very small scheme that has just been repaired converting an open channel into a pipe. It is being done by the IDB but the cost is being shared between the TIDB and the TIS. The pipe is currently installed and backfilling is taking place and they expect to run their first commissioning trials next Monday. That has been quite successful.

CHAIR - The other one, through the minister, is the CSIRO. A sustainable yields report they conducted some time ago stacked up pretty well for Tasmania, although it was criticised by a certain political element. How does that affect the IDB's future projects? Were there any ramifications?

Mr LORD - Yes, there were in that it was a wonderful benchmark for our team. We were really encouraged. The CSIRO team assessed the districts in which we have our jobs. They used

the same methodology that our team had been using. They looked at the hydrology under their climate change models going out 30 years with the climate change they expect, then also with a wetter than expected and also with a drier than expected. We found that our team standards are tougher than the CSIRO dry one.

The CSIRO report said there is 100 per cent reliability in many of our schemes, and with all the ones we are proceeding with there was at least 95 per cent reliability. They said they were not sure about some schemes and those were the ones that we had not continued doing our work on. Just to repeat, we were really pleased. It was a great opportunity.

CHAIR - Are there any burning questions that need to be asked? If not, Minister, I would like to thank you and your team very much for coming along and we have successfully filled in 90 minutes which I thought for a while we might struggle to do.

Mr GREEN - It is an extremely interesting subject and on behalf of myself and my office I thank everybody for their contribution today and particularly those people who prepared all the documentation for me. The discussion has been very useful, so thank you.

CHAIR - Thank you very much.

The committee adjourned at 2.44 p.m.