



Elizabeth Macquarie Irrigation Trust

ABN 25 878 933 235

The Secretary
Legislative Council Select Committee – Tasmanian Irrigation
Legislative Council
Parliament House
HOBART TAS 7000

Via email: tir@parliament.tas.gov.au

Dear Sir

A huge transformation has taken place in agriculture in Tasmania since the 1990s - and irrigation has been a major catalyst in that change.

There is no doubt that Tasmanian Irrigation Pty Ltd (TI) has played a major role in this transformation. Its technical expertise is of a high level, and its success in navigating complex regulatory requirements to deliver new irrigation schemes is demonstrated by the results on ground.

Over time, the Trust has developed a generally positive working relationship with TI. However, as TI reaches the end of its construction phase, there is clear need for reassessment of its role.

The Trust strongly believes that, in the future, management of irrigation schemes should wherever possible be devolved to local irrigator groups. The Elizabeth Macquarie scheme has been successfully managed by irrigators since the 1840s and provides a useful model of how this can work.

The Productivity Commission's recent draft report into National Water Reform supports this position and offers some useful guidance as to future policy settings and structures.

We welcome opportunity to make this submission into the inquiry into the future management of water rights and associated assets currently administered by TI. We also look forward to the opportunity to expand on the points made in our submission to the panel when it meets in the new year.

Yours sincerely

Jan Davis

Secretary

15th December 2017

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SUBMISSION TO THE LEGISLATIVE COUNCIL INQUIRY INTO TASMANIAN IRRIGATION

1. ABOUT THE ELIZABETH MACQUARIE IRRIGATION TRUST

1.1 Background

The Lake Leake/Elizabeth/Macquarie River Irrigation District was established in February 2006. The district is administered by the Elizabeth Macquarie Irrigation Trust (the Trust), which is declared a water entity under the *Water Management Act 1999*.

The Trust operates under two water licences granted by the Department of Primary Industries, Parks, Water and Environment (DPIPWE).

- Licence number 8724 covers the Elizabeth River district and makes annual provision for:
 - 4,549ML of Surety 5 water between 1 July – 30 June
 - 90ML of Surety 5 water between 1 May – 30 November
 - 4,460ML of Surety 6 water between 1 July – 30 June
- Licence number 8725 covers the Macquarie River district and makes annual provision for:
 - 5,711ML of Surety 5 water between 1 July – 30 June
 - 3,369ML of Surety 5 water between 1 May – 30 November
 - 5,471ML of Surety 6 water between 1 July – 30 June

Both licences are current until 30 November 2056.

The Trust then issues rights to irrigators under these head licences. Across the scheme, there are 60 properties with rights; and these are currently owned by 40 individual irrigators.

A map of the two water districts covered by the EMIT scheme follows as Attachment A.

1.2 History of the Trust

Owing to spasmodic rainfall in the catchment, the Elizabeth and Macquarie Rivers historically did not have a continuous flow of water. As such a number of storages were planned in the mid to late 1800's to regulate the flow in the stream and management bodies were formed to manage the conserved water.

In the late 1830s, a natural lagoon at the headwaters of the Macquarie River was revetted with earth and stone embankments and named Tooms Lake. Subscriptions were collected from the landowners in 1842 to raise and improve the embankment.

The *Macquarie Water Act* was passed in 1892 "to make provision for the maintenance and control of supply of water to the Macquarie River". The Act provided for the election of five persons to be Trustees of the district for the purposes of that Act. In later years, the Trust was vested in the Municipality of Ross.

When the Northern Midlands Council was formed, control passed to a Committee of Council.

Lake Leake was constructed in 1883 by building a dam at the head of Kearney's Bog. Local landowners financed construction, supported by government assistance in the form of a loan and grant. The loan was paid back by 1904.

Since the original development of the scheme, all monies needed for repairs and maintenance have been raised from landowners with land fronting the river in the former Ross Municipality.

The Elizabeth Water Trust was set up in 1879 under the *Campbell Town Water Act 1878* to administer the water district of Campbell Town. When this Act was repealed in 1952, the Campbell Town Council became responsible for administering the Lake. Following council amalgamations, this responsibility was subsequently transferred to the Northern Midlands Council,

The Northern Midlands Council established the Elizabeth Macquarie Water Committee under section 24 of the *Local Government Act 1993* on 13 March 1995. The mission of this Special Committee of Council was "to efficiently manage the water resources of the Elizabeth Macquarie catchment areas".

The Committee was primarily established to maintain a constant supply of domestic water to Campbell Town and Ross, manage surplus water for irrigation and stock purposes and maintain environmental flows in the Elizabeth and Macquarie River systems. The inaugural committee was formed as a result of advertising for committee members in the Examiner newspaper in June 2002.

The introduction of the *Water Management Act 1999* provided a new platform and formal arrangements for irrigation districts, and administering entities such as a trusts to be established, enabling the self-management of water resources within declared areas of the State. As a result, the Committee, Council and Department of Primary Industries, Water and Environment (the "Department") acknowledged that existing arrangements could not continue.

In March 2003, discussions commenced between the Elizabeth Macquarie Water Committee and the Department to formally establish two irrigation districts to be managed by a water entity recognised under the *Water Management Act 1999*. The type of entity to be established formed part of these discussions.

It was recognised that the water resources of the area had primarily been locally managed in the past; and that much of the existing infrastructure was paid for by the local community. On that basis, it was agreed that the appropriate entity would be a Trust. The Department provided the pro-forma for the first Draft Trust Rules to the Committee in November 2003.

The Elizabeth Macquarie Irrigation Trust was declared to be a water entity under the *Water Management Act 1999* when it was established on 1 February 2006.

1.3 Objectives of the Trust

The current Trust Rules specify that EMIT will:

- Provide an equitable and efficient system for the management of water within the Lake Leake/Elizabeth/Macquarie Irrigation District and the Tooms Lake/Macquarie Irrigation District;
- Supply Ross district with the licensed quantities of water supply;
- Supply water for stock and domestic purposes;
- Provide the required environmental flow regime within the Elizabeth River and Macquarie River systems;
- Encourage the use and storage of water for irrigation purposes within the Irrigation Districts;
- Provide a system of water management based on a competent and an efficient set of administrative arrangements;

- Set charges that allow for the on-going operation, maintenance, renewal, and upgrading of the Trust's water supply infrastructure; and
- Engage in appropriate catchment and river management activities so as to sustain the water resource and its environment.

These objectives are consistent with the requirement of the Trust to assist in furthering the objectives of the *Water Management Act 1999*.

1.4 On-ground outcomes

Irrigators in this water district have been responsibly managing water resources since the 1840s. Farmers funded and built both major storages in the district, Lake Leake and Tooms Lake, which have a combined capacity of over 100,000ML. The Trust now directly manages approximately 25,000ML of water under licences issued by DPIPWE.

As well, individual irrigators have constructed and now manage in excess of 50,000ML in on-farm storage and delivery capacity. These developments represent many millions of dollars of private sector investment in the local area.

This commitment to enhancing irrigation capacity has been demonstrated in the efforts made to complete construction of the Long Marsh dam. The dam and the proposed downstream water scheme were abandoned more than 160 years ago with government officers citing geological and heritage reasons for abandoning the dam. However, the Long Marsh dam proposal has been revisited several times since it came to a halt in the mid-1800s. More recently, local farmers investigated this proposal in 2000 and again in 2007 in attempts to drought-proof farms in the region. Whilst to date unsuccessful, the project remains on the drawing board.

Many irrigators in the EMIT scheme farm properties that have been in their families for generations – in some cases, back to the time of original land grants. As a result, they have a history of managing their lands for the long term and with an eye to the future. There are also longstanding relationships which have resulted in development of trust and a collegiate approach to their land and water resources.

They are responsible resource managers in their own right, and take their environmental and social responsibilities very seriously. This is reflected in fact that they take a triple bottom line approach on their own farms and in their participation in the scheme.

The Trust has in place measures to ensure environmental flows are maintained at or above mandated requirements in all but the direst of circumstances, and water supplies to the township of Ross have been secured even through the recent record drought periods. In some cases, this has meant individual irrigators have had to release stored water from their own dams to keep levels up.

2. COMMENTS TO THE TERMS OF REFERENCE

2.1 Separation of functions

The Productivity Commission released a *Draft Report into National Water Reform* in September 2017. The final report is due to be released by the end of calendar 2017. This report includes a detailed assessment of water infrastructure for agriculture.

As is outlined in the federal government's National Water Initiative guidelines, this report makes clear the need for separation of the three main components of the management of irrigation scheme frameworks.

The three components are:

- Water planning and regulatory management;
- Bulk delivery of water; and
- Distribution and service delivery.

The PC report notes that all jurisdictions have signed up to these principles. However, implementation in Tasmania has been inconsistent.

Tasmania is one of only two states (the other being Victoria) where the state government has prime responsibility for bulk delivery and distribution of irrigation water.

DPIPWE has primary responsibility for water management and planning activities, as well as responsibility for regulatory and enforcement. However, TI also undertakes some planning and de facto regulatory activities. TI also has responsibility for bulk delivery of irrigation water and management of the schemes under its remit.

As TI is a GBE, this cross-functional involvement is not the clear-cut delineation that is seen as best practice.

As TI reaches the end of its construction phase, there is clear need for reassessment of its future role.

The Trust is of the view that this should be limited to functions that cannot realistically be performed by the private sector, or where there is a clear pathway to devolved management by irrigator groups.

2.2 Operating costs

The Trust recognises that the requirements affecting a government business enterprise such as TI are different to those that drive a farmer-managed irrigation scheme.

However, the ongoing cost of water delivery through fixed and variable charges in TI-managed schemes is much higher than that in farmer-managed schemes such as EMIT and the neighbouring Macquarie Settlement Pipeline (MSP) scheme.

There is a view that some of the additional costs result from 'gold-plating' of assets and from unnecessary bureaucratic processes. The Trust believes there is scope for review of operational standards and for efficiency gains to be reflected in reduced costs to irrigators accessing water from TI schemes.

The Trust contributed a substantial amount of funding to the cost of repairs to the Lake Leake dam wall in 2015. These repairs were undertaken by TI on behalf of the owner, DPIPWE. Subsequent inspections showed evidence of leakage at the base of the dam, and a noticeable slump from the masonry wall across from the area repaired.

DPIPWE was notified of these matters in October 2016 and, in response, advised that further inspections to ascertain the cause of these issues and remedial work required would be undertaken in early 2017. The Trust has subsequently been advised that there are no plans to redress these issues. That is not a satisfactory outcome.

The Trust believes that the cost of these repairs was inflated by specifications beyond the base requirements, and that appropriate commercial practices were not followed in that the works were not completed to an acceptable standard and no steps have been taken to effect repairs.

Cost estimates provided to the Trust for these repairs by reputable operators ranged from \$100,000 to \$150,000.

The total cost of the repairs undertaken by TI on behalf of the department was around \$450,000 - and the problem is yet to be rectified.

During 2017, the Trust also undertook and funded repairs to some tailrace access points, with further work planned for the coming year.

The Trust is also aware that the gate valves at Lake Leake are in imminent need of replacement, and has recently commissioned an engineering report to scope the extent of the work and assess the cost of replacement. This work needs to be undertaken with some urgency, as the decline in condition leaves open the possibility that the valves will freeze at some stage, making the scheme unable to manage or deliver water.

The discrepancy between costs in government sector entities and the private sector is also reflected in the levels set for capital cost recovery in irrigation schemes. The Trust has not undertaken greenfield construction since its inception and does not impose a capital cost levy on irrigators. However, capital costs in the neighbouring MSP are \$220 per megalitre of capacity, as compared to the capital cost of \$1,100 per megalitre in the TI schemes.

The PC report suggests that this could be a real concern. It notes that, in most states, market forces will ensure the cost of irrigation water reflects the industry's capacity to pay. However, in Tasmania the market for trading water is in early stages of development, and hence there is less pressure for flexibility in pricing.

The Trust supports the PC recommendation that "the Tasmanian government should amend the role of the Office of the Tasmanian Economic Regulator (OTTER) so that irrigation bulk water and distribution customers of Tasmanian Irrigation can request OTTER to review the infrastructure prices and/or services of Tasmanian Irrigation".

The Trust has also been disappointed at the apparent reluctance of TI to negotiate on water sales and flow rates.

Parts of the Midlands Water Scheme (MWS) overlaps with the EMIT scheme. It was constructed by TI and commenced full operations in the summer of 2015, but has not yet been fully subscribed.

Since the completion of the MWS, the district has experienced two quite distinct dry periods. Yet no attempt has been made to promote additional uptake. It is not clear why TI has not been prepared to discount the remaining capacity to promote water usage, either on a short term lease basis or as an outright capital sale.

2.3 Scheme management options

The Trust strongly believes that, in the future, management of irrigation schemes should wherever possible be devolved to local irrigator groups.

The Elizabeth Macquarie scheme has been successfully managed by irrigators since the 1840s. The outcomes in this catchment are clear demonstration that irrigator-managed schemes can deliver successful outcomes for irrigators, the community and the environment. This is a practical example of a triple bottom line approach, meeting diverse needs and expectations.

TI was initially established on the premise that it would design and construct irrigation schemes. With TI reaching the end of its construction phase, consideration needs to be given to its future role.

In the longer term, the general understanding was that TI would work with irrigators and other stakeholders to develop management options for completed schemes.

There was no expectation that a one-size-fits-all approach would work, but the clear expectation of industry stakeholders was that passing schemes on to irrigator management groups would in most cases be a preferred option.

This proposition is also supported by commentary in the Productivity Commission report, which states that “Local ownership and management of distribution networks is generally considered to have brought about improved productivity, greater accountability and responsiveness to users ... and should be the preferred model for any new distribution networks”.

The report notes that local ownership and management of distribution networks in NSW, South Australia and Western Australia has often brought improvements in productivity, accountability and responsiveness to users, and long-term planning within networks. For example, user charges for the scheme managed by Coleambally Irrigation Cooperative Limited fell by 5 per cent in real terms between 2008-09 and 2016-17.

More generally, local ownership and management is expected to support good outcomes by bringing water users’ knowledge and expertise to bear in generating solutions best suited to local circumstances. For these reasons, and those above, the PC report recommends that local ownership and management should be the preferred model for any new distribution networks.

The Trust considers that it should also be the default model for existing schemes, even if this requires a period of phasing-in for schemes currently operated by TI.

The PC report also notes that the viability of any transition to local ownership and management is dependent upon the ability of irrigators to demonstrate a collective ability to manage their network. Further, as long-term users of a distribution network, irrigators are often best placed to make a judgment on whether their management of the network would be beneficial.

Accordingly, any initiative to progress toward local ownership and management needs to be advanced on the initiative of irrigators — as was the case for those schemes that have made the transition in other states.

The Trust strongly endorses these comments.

With such a long and successful track record in managing the EMIT scheme, the Trust has extensive experience in the range of circumstances that can arise in supplying irrigation water for multiple purposes. This would lend itself well to the development of guidelines and pilot programs that can be used to assist in upskilling local irrigator groups to enable them to take eventual responsibility for management of their own schemes.

The Trust would welcome the opportunity to work with TI in developing models for irrigator management of both existing and future schemes.

2.4 Ownership of assets

As noted above, the PC report has identified local ownership and management of irrigation schemes can deliver multiple benefits. This assumes that the end point in this transition is for total ownership of assets to be passed to responsible irrigator groups.

In these instances, irrigators accepted full responsibility for all risks and costs associated with distribution infrastructure as part of the transfer to local ownership — including the potential for, and costs of, a distribution network’s financial failure.

Governments are then under no obligation to provide support to locally owned networks, nor would they have any say in the operation of those networks.

However, the Trust believes that this is not the only option with respect to devolution of responsibility to irrigator groups – and is probably not optimal in the Tasmanian situation.

Ownership of assets could remain with TI, with capital and maintenance costs managed in partnership with the irrigator groups – as is notionally the case now for the EMIT scheme, noting the comments below on this matter.

Another option would be for TI to own the assets and lease them to responsible irrigator groups. In this situation, the government (through TI) would retain some responsibility to ensure that the local scheme delivered on environmental and social requirements.

This is an important issue that needs to be explored in more detail, and the Trust would welcome an opportunity to be involved in modelling of alternative approaches.

2.5 Ownership of Lake Leake and Tooms Lake

The ownership of Lake Leake and Tooms Lake dams remained unresolved following TI's takeover of the former Rivers and Water Supply Commission (RWSC) and Tasmanian Irrigation Schemes (TIS) Pty Ltd in 2011. These dams remained in the control of DPIPWE. TI has been managing the assets on behalf of the department, with the expectation that eventually ownership would pass to it.

The two lakes come with a range of R & M legacy issues, and there may well be further issues yet to be identified.

TI's charter prevents it from cross-subsidisation between schemes and it has no capacity to raise funds to cover costs for these lakes; and DPIPWE is reluctant to commit to transferring funds with ownership. That leaves significant funding concerns, as the state government must be in a position to fund a proportion of R & M that reflects public good (eg environmental flows) and non-irrigator beneficiaries (eg Ross township residents).

This transfer of ownership has therefore stalled, largely around the issue.

In the period from 2015 to 2018, the Trust expects to contribute at least \$300,000 to repair and maintain the Lake Leake and Tooms Lake dams.

The Trust has determined that it will only agree to any funding contribution for required repairs and maintenance for future work will only be considered where:

- it represents a reasonable reflection of shared accrued benefit;
- if the Trust has been actively involved in the planning process from the outset; and
- there is agreement that the works program is commercially realistic.

Until the ownership issue has been finally resolved, TI has no legal standing in this area. It has therefore been understandably reluctant to pursue discussions as to an agreement with the Trust.

Negotiations between DPIPWE and TI to finally settle this issue remain unresolved at the time of writing this submission, although the Trust understands a resolution is imminent.

The Trust urges the government to resolve this long-standing issue as a matter of high priority.

3. CONCLUSION

A huge transformation has taken place in agriculture in Tasmania since the 1990s - and irrigation has been a major catalyst in that change.

The Agricultural Census is one of the largest statistical collections undertaken by the ABS. The five yearly survey is a snapshot of who grew what, where, and with how much water. Data for 2015/16, the most recent survey, was released in mid-2017.

Tasmania accounted for 3% of Australia's agricultural production by value in that year, even though we only occupy around 1% of the nation's land mass. Around 1.5 million hectares (just under 22 per cent of the state's area) is under some form of agricultural production.

The survey confirmed that the agriculture, forestry and fishing sector is a key driver of the Tasmanian economy. The sector overtook manufacturing as the greatest contributor to the Tasmanian economy in the 2015/16 financial year, accounting for 10.3 per cent of GSP (up 0.5 of a percentage point since 2005/06), with the state's 2,330 farm businesses generating \$1.485 billion at farm gate.

This was an outstanding result, especially considering the extreme weather events experienced across the state during the year, including drought and floods. Although some of the state's traditional products (dairy, potato and poppy production) were affected by the challenging weather conditions, most still continued to perform strongly – highlighting the ongoing value of these industries to Tasmania's economy.

Investment in irrigation played a key role in mitigating the impact of the dry conditions, particularly for fruit growers and the wine industry which increased their combined value of production by \$81 million (69%) to \$199 million. The survey showed that irrigated agriculture in Tasmania increased from 222,316 megalitres in 2014/15 to 308,689 megalitres in 2015/16, an increase of 39 per cent. That has brought more employment and economic activity to many areas across the state.

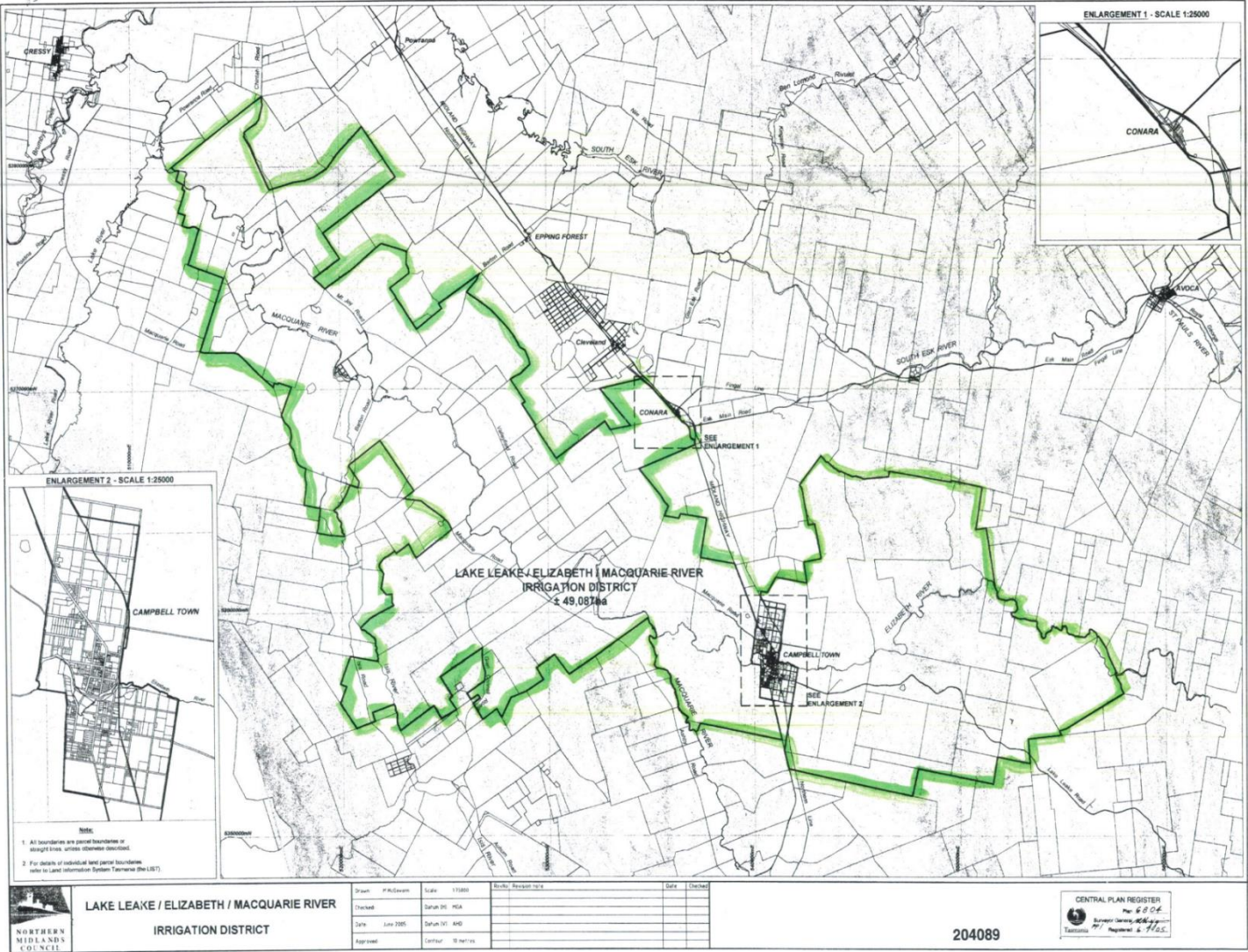
There is no doubt that TI has played a major role in this transformation. Its technical expertise is of a high level, and its success in navigating complex regulatory requirements to construct and deliver new irrigation schemes is unparalleled. It is nonetheless clear that, as TI reaches the end of its construction phase, there is clear need for reassessment of its role.

Over time, the Trust has developed a generally constructive working relationship with TI. However, the Trust strongly believes that, in the future, management of irrigation schemes should wherever possible be devolved to local irrigator groups. The Elizabeth Macquarie scheme has been successfully managed by irrigators since the 1840s and provides a model of how this can work.

The Productivity Commission's draft report into National Water Reform supports this position and offers some useful guidance as to future policy settings and structures.

The Trust welcomes the opportunity to make this submission into the inquiry into the future management of water rights and associated assets currently administered by TI. We also look forward to the opportunity to expand on the points made in our submission to the panel when it meets in the new year.

Attachment: Map showing location of the EMIT irrigation scheme area



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