

UNCORRECTED PROOF ISSUE

Wednesday 6 December 2017 - House of Assembly - Government Businesses Scrutiny Committee - Tasmanian Irrigation Pty Ltd

HOUSE OF ASSEMBLY

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE

Wednesday 6 December 2017

MEMBERS

Mr Bacon
Dr Broad
Ms Dawkins
Mr Jaensch
Mrs Rylah (Chair)
Mr Street (Deputy Chair)

SUBSTITUTE MEMBERS

Mr Groom
Mr Llewellyn

IN ATTENDANCE

Mr Jeremy Rockliff MP, Minister for Primary Industries and Water

Ministerial Office

Mr Ashley Bastock, Deputy Chief of Staff

Tasmanian Irrigation Pty Ltd

Ms Samantha Hogg, Chairperson

Ms Nicola Morris, Chief Executive Officer

Mr Leigh Nicholas, Chief Financial Officer

The Committee resumed at 10.05 a.m.

CHAIR (Mrs Rylah) - Welcome to the scrutiny of Tasmanian Irrigation. Minister, would you like to provide an opening statement?

Mr ROCKLIFF - Thank you. As I have said many times before, irrigation is transforming Tasmanian agriculture. It is providing new economic opportunities, boosting on-farm productivity and also provides farmers with certainty. The public-private partnership model of Tasmanian Irrigation has always received strong bipartisan support. This Government has always acknowledged the role of previous state and federal governments in establishing the Tasmanian Irrigation model and we are further building on this legacy.

Irrigation development is a key plank of the Government's Agri-Food Plan and target to increase the value of agriculture to \$10 billion by 2050. The latest Agri-Food Scorecard demonstrates that the gross value of agriculture grew by 3.3 per cent in 2015-16 to \$1.48 billion. This result further demonstrates the resilience of our farmers and the value of our state's investment in irrigation.

Tasmania's irrigation schemes were vital in sustaining positive growth in agriculture, even with the drought conditions of 2016. This is of course why we are investing \$50 million towards delivering the tranche 2 irrigation program with farmers and the Commonwealth. I was very pleased yesterday to join with the Honourable Senator Ruston, the Assistant Minister for Agriculture and Water Resources, and Senator Jonathon Duniam to announce that the North Esk Irrigation Scheme is under construction. With final approvals now received, the \$30 million North Esk Irrigation scheme is the fourth tranche 2 scheme underway and is scheduled for water to be flowing to irrigators for the 2018-19 irrigation season.

This scheme will deliver 4685 megalitres of high-reliability water through 100-year infrastructure and will allow for the expansion of horticulture, viticulture, mixed cropping and intensive livestock grazing in the north midlands around Evandale, White Hills, Relbia and Clarendon. Importantly, farmers are genuine partners, investing with government in the capital works as well as additional on-farm infrastructure such as dams, pipes and centre pivots or drippers. I particularly acknowledge Charles Watson, the local irrigator group chair, the farmers who have invested in the scheme, Ian Smith the TI project manager and all the TI team for their work on this project.

It is worth reflecting that over the last five years TI has overseen the development of 12 new irrigation schemes with a capacity to supply over 83 000 megalitres annually. Eleven of the 12 schemes are in operation, including the new Southern Highlands scheme and the Swan scheme is now in commissioning, thanks to some rain. TI has a further three tranche 2 schemes in progress which will increase the supply capacity of water entitlements by a further 18 000 megalitres. TI reliably delivered 100 per cent of water demand during the 2016-17 season, 33 280 megalitres to 365 irrigator partners.

Irrigation development has a bright future in Tasmania. Work assessing the feasibility of a potential tranche 3 program is progressing well for the future irrigation project. In addition to the eight project concepts identified initially, TI is exploring another five modernisation or augmentation projects. I am sure Sam and Nicola will expand on these operational matters further today.

There was one board member change this year in that Guy Kingwell was appointed as a non-executive director in January this year, replacing inaugural director Mr Geoff Coffey. Mr Kingwell has substantial executive experience as a former managing director of Tandou, a farming business engaged in irrigation and water investment. Mr Kingwell has extensive knowledge of rural water

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use and trading matters and is a board member of Lower Murray Water Urban and Rural Water Corporation, Agriculture Capital Management Australia Pty Ltd and ACM Australia Pty Ltd [?? last one TBC??].

In closing, I congratulate Sam, Nicola and all the team at TI for another successful year. I really appreciated the opportunity to recently meet with all the TI staff and acknowledge their efforts personally just a few weeks ago. I now invite Sam to say a few introductory remarks.

Ms HOGG - Thank you, minister. It has been a very busy and productive year for Tas Irrigation. Some of the key achievements have been, as the minister said, the delivery of the Southern Highlands Irrigation Scheme which is now fully operational and delivering water as we speak. The delivery of the Swan Irrigation Scheme is in commissioning today and has been over the last couple of days, which is fantastic, with that rain event. We now have the North Esk and the Duck schemes under construction. We have a renewed focus with Nicola and her team on the operational side of the business which is that of delivering water. We had a successful negotiation, coupled with state government intervention, on power and water pricing. Whilst prices increased, they increased significantly less than potentially what would seem to be the likely outcome at the start of the process. We are now providing greater transparency to and collaboration with our partners, the irrigating community. On the back of that we welcome the upper House inquiry into the future management of the assets and water rights. As I say, it has been a very busy but hopefully very productive year.

Dr BROAD - Tasmanian Irrigation was established to effectively project manage the rollout of irrigation schemes across the state and is obviously a fantastic Labor initiative continued by the current Government. As there have been a number of schemes commissioned, what role do you think TI has in the future of these schemes and are you considering moving to a more operational rather than a construction phase? I suppose you hinted at that.

Mr ROCKLIFF - It is a good question because they had a very specific focus initially in its inception with driving tranche 1, the 10 irrigation schemes. It was massively a construction and engineering type of mindset. Tranche 2 is a little less, although there is tranche 3 now with 13 projects, but five of those are augmentations and additions to existing schemes.

Is it a different phase? Along with this, I think the initial intent of Tas Irrigation was to also pass on to the local farmers more control and ownership, as evidenced by some schemes that were set up many years ago. That is also part of where TI sits in the future as well. We are working through that now and, as the chair said, the parliamentary inquiry is a good opportunity to flesh out some of those ideas. Some farmers in some areas have thought they would run the show when it is all completed but some of those thoughts have lessened over time and they have wondered if they really need to have the headaches, so to speak, but others areas are a little different.

Mr LLEWELLYN - But it was not only with respect to whether they want to have the headaches. The thought at the time was to try to minimise the cost of the operation and so on. There was always an understanding that there would be schemes that were perhaps too complicated to have ownership control, but a lot of them would be able to transport in that way.

Mr ROCKLIFF - Of course cost is a very important factor. We are mindful of that and it has particularly come to the forefront of farmers' minds in recent years and the energy discussions that have been happening nationally also play a factor in that. There has been a lot of work done by the two people to my right in going to every section of the business in great detail, thorough consultation

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with irrigation scheme chairs, to nut out in a more transparent way some of those cost issues Mr Llewellyn was talking about. That is progressing at this time. I invite the Chair or Nicola to add some more value to my initial answers to Mr Broad's question.

Ms MORRIS - Shane, I am on the record very clearly as saying that TI has to be in position to manage the scheme so effectively and so efficiently that an irrigator committee would say, 'Why would we want to do it? We cannot do it better and we cannot do it cheaper.' I also acknowledge we are not there yet. There is still work to move on that. I am very comfortable that every drive we have is around cents per megalitre, what does it cost and how do we reduce that cost, recognising those costs are not ours, they sit with the irrigators.

Dr BROAD - What efforts have been made to reduce the administration costs and therefore delivery charges? Rolled up into that is, there is executive remuneration totalled at \$760 000.

Ms MORRIS - Lots of things. I will use one example. At the moment we are running a land project, identifying very clearly all the land we own or have easements over. From there saying, 'What is our rate space we are paying rates on? What are we paying in the way of land tax?' We are working for all the savings we can make in terms of land tax and rates. We have already made some significant savings. We believe there is more to do as we canvass support to stop paying land tax - literally hundred of thousands of savings to be made there.

In addition, executive remuneration, the figure you are talking about includes two executives who are no longer with the business. That is an example of how the costs needed to be brought down; we have moved out some of the more expensive staff.

Dr BROAD - Are they going to be replaced?

Ms MORRIS - In one case they have been replaced but at a different remuneration band and completely different role. In other cases, the roles have been picked up by people already in the business.

Dr BROAD - Were those executives made redundant or did they choose other options?

Ms MORRIS - Chose other options.

This is the challenge we have at the moment. We have very deliberately put a greater degree of transparency into what is available to irrigators and others so they can look at our figures and then challenge them, which we are very comfortable with. One of the things which, at this stage, does not come through as well as we would like is the difference between the build component of our business and the operational component of our business.

As an example, until very recently the second highest paid person in our business was a very senior engineer. From an operational perspective, absolutely none of those costs sit with the operational business. At the moment, that is slightly distorts figures when we just look at figures.

Dr BROAD - There is separation between the operational and the -

Ms MORRIS - Absolutely.

Any of the build team is costed solely to the build business, never to the operations business. We are putting a lot more scrutiny into this. Our newly appointed CFO is driving that, being very certain that if have an environment team we are comfortable the correct proportion of costs is being allocated to the correct part of the business. Starting every discussion was, 'Who is paying for this work and how are we making sure it is costed appropriately?'

Mr ROCKLIFF - There has been some leadership demonstrated by the board, the chair and Ms Morris in getting a real sense of the farmers' expectations. The Chair's salary has decreased substantially from what it was, as has the CEO's salary. We are very mindful of cutting our cloth in a sensible way. Understandably, farmers are very conscious of their costs and margins. The reduction in both those salaries has been substantial over the past couple of years.

Dr BROAD - Do you see a future where there is farmer management akin to what happened with Craigbourne and other schemes? They were brought back into Tasmanian Irrigation.

Do you see a future where very complicated ones - maybe the big Midlands scheme - which might be too difficult for farmer management but where some of those smaller schemes could go back into farmer control and therefore reduce delivery charges and so on?

Mr ROCKLIFF - I absolutely see potential in that. As our Leader in the Legislative Council said the other day, with more schemes coming online and the operations and costs of water delivered by TI are naturally, as we have said quite rightly, quite scrutinised by the irrigators and farmers of Invest In [TBC] and members of the TI schemes. We appreciate as a government the genuine interest of irrigators who are concerned about costs and efficient management and operation structures. There is the question of the potential benefits from more localised management or self-management of the publicly owned TI schemes.

It is an appropriate time, as both the Chair and I have said, in TI's corporate life to take stock, consider these operational issues in more detail. We appreciate the irrigators keenly feel any changes to the bottom line any changes in annual costs of water.

The TI board and management are working to the very clear expectations from the Government shareholding ministers, of which I am one, that TI runs its operations as efficiently as possible; actively seeks to minimise costs, is customer focused; and takes into account the business and climatic environment farmers are operating in. We are supportive, as a government and always have been. Where appropriate and feasible, consideration will be given to facilitating self-management or indeed facilitating more local input to future irrigation scheme management. This was stated on the record and the GBE hearings just last year. To be clear this position is in relation to future operations and management of irrigation schemes but does not extend to the Government divesting ownership of irrigation assets developed with the public funding; it is actually two-thirds.

Mr LLEWELLYN - I am pleased to hear what you have said about the administrative structure and pricing but has there been any formal resizing from the shareholders' point of view or has this been initiatives that have been taken by TI itself?

Mr ROCKLIFF - The operational initiatives?

Mr LLEWELLYN - No, sizing from the point of view of how much people are paid, et cetera.

Mr ROCKLIFF - The Government. The shareholder ministers in terms of the board remuneration, for example, yes. There was an option of reducing the number of board members. As you would appreciate, it is not a very big board. The board's dynamics have been consistently very good from its inception right through until now. There continues to be new players. As a good signal, the administration decided to reduce the remuneration for the Chair and individual board members. The CEO's salary was sized by the board as I recall it.

Ms DAWKINS - Earlier in the year there was news reported that some north-west farmers were having issues with the land acquisition process. Can you tell me what happened? Was that process resolved with the farmers spoken to? What have you put in place to make sure that does not happen again?

Mr ROCKLIFF - Thank you for that question. Nicola.

Ms MORRIS - For all of us there is some good learnings to be taken out of that and other schemes as we develop them. Often it is very hard to quantify what is going to happen on an individual property until it is time to sit with the farmer and look at levels on their property and go through things with them.

I am very comfortable that we have a very good team in Circular Head leading the Duck Irrigation Scheme - that is both Shaw Contracting and our own staff. Shaw has a landholder liaison person who works with every landholder and talks through issues around their properties. We either have, or are in the final throes of having, landholder access agreements with each of the irrigators concerned. In fact, there was a Circular Head paper, *The Chronicle*, article three or four weeks ago which quoted some of the people who had been quoted earlier in the year saying that everything has been resolved.

Mr ROCKLIFF - People skills are so important when it comes to this, the people on the ground dealing with farmers. Some farmers feel differently about this in terms of people coming on their land, trenches being dug, and heavy equipment. All farmers are very concerned about the compaction that might happen and how it is rehabilitated.

I am very mindful of the experience many farmers had in around 2001 or 2002 with the Duke Energy pipeline. Mr Llewellyn would recall that as well. Less than adequate people skills and practices were employed. As a government we have learned from those experiences and we are being very sensitive about how we handle some of these issues. There are not many, there have been a few. I know there were a couple of issues on the Dial scheme that caused some issues, you would probably be more familiar with that.

Dr BROAD - Also the Kindred North Motton scheme, there were submissions there too.

Mr ROCKLIFF - I think in my head I was referring to that one, Dr Broad.

We are very mindful of this. It is good to hear the way the Tasmanian Irrigation staff and personnel have - I can empathise with some of the farmers' concerns. They have now changed their view on some of these matters individually, which is pleasing.

Ms MORRIS - If we talk about North Esk which is the scheme, which is literally just starting construction, one of our first questions has been what is our process for landholder communications now the scheme is real as opposed to a plan? As part of that it will be our project manager plus the

contracting staff working with each landholder. As an example, we already have a very clear memorandum of understanding and place with one of the key landholders. So it has been done before we even turn any earth so that everything can be resolved.

Ms DAWKINS - Regarding foreign ownership of farms in Tasmania, obviously there is an appetite for that to increase. How do you manage those sorts of communications or do you go to the person managing the farm rather than the one who owns it if they are an overseas holding company?

Mr ROCKLIFF - First your comment, an appetite for them to increase. My view would always be I would like the next door farmer, if a farm is up for sale, to buy that farm, number one. My aim as minister for Primary Industries is to ensure that we have as many successful local farmers, that they have the equity behind them to further expand their businesses. In saying that, we welcome foreign ownership as well. It can only be a good thing, injecting capital into regional areas. Nicola would probably answer your question more directly in terms of that.

Ms MORRIS - You raise a really good point. I would widen it to not just talk about foreign ownership but to talk about many of the structures we have now where we have an investor living somewhere else in Australia, and a farm manager. We have learnt a lot. As you would know the direct discussions you have on ground may be relayed differently to the owner. What we have done is we are very clearly identifying now who is the owner and all formal communication must go to the owner. We now have also identified who is the on-ground contact. Then they get copied in to everything. So if we are meeting with vineyard manager and they want the valve put in one place, we will actually clarify with the owner. Is the owner comfortable with that? We had a couple of occasions where there were differences of opinion. So we are doing a lot of work to make sure we have both now identified and communicated with.

Ms DAWKINS - Thank you.

Mr GROOM - Minister, I recognise environmental sustainability is the objective of the TI schemes. I was wondering if, through you, TI could provide an update in relation to the progress in meeting that objective. In particular, an update on the farm water access plans and the level of environmental and monitoring that is undertaken by Tasmanian Irrigation.

Mr ROCKLIFF - Tasmanian Irrigation implements a range of processes to ensure all activities undertaken meet the state and federal environmental statutory requirements and are conducted in an environmentally-responsible manner. I guess the way we have talked about how we rehabilitate farms is part of that as well.

All environmental monitoring programs were conducted in accordance with permits and approvals. Eighty-two surface water quality monitoring sites were sampled monthly in 54 operational scheme waterways. Thirteen groundwater bores were monitored monthly in three groundwater monitoring areas. Eighteen sites and six irrigation districts were monitored for aquatic health during spring and autumn using AUSRIVAS sampling methodology. Monitoring and survey results indicate that there were no discernible impacts to water quality, aquatic health and habitat attributed to the operation of Tasmanian irrigation schemes.

Surveys for regeneration of the pipeline route and to detect any erosion impacts from water releases into receiving waterways were conducted for the Midlands Irrigation Scheme. A geomorphology monitoring survey was conducted for the Meander Dam post a significant flood

event. No blue-green algae outbreaks, nor aquatic weeds were detected in Tasmanian irrigation storages in 2016-17, which is good. Rating curves for Tasmanian Irrigation's 19 hydrography stream flow sites continue to be developed and adjusted as required. The gauging stations and flow monitoring weirs are being maintained to standard. Five of these sites were installed in the 2016-17 financial year.

Continuing upgrades are being made to incorporate environmental requirements into storage and streamflow operating systems, providing for automated compliance opportunities and more efficient and cost-effective reporting and recording of environmental compliance data. River flow and cease to takes of streamflow data goes directly into DPIPWE's AQUARIUS database on selected stream gauge sites in real time. DPIPWE have responsibility for reviewing compliance with our water licence takes and the main river intakes and in flows into storage are telemetered. TI monitors to ensure as per licence conditions. Farm water access plans - a total of 504 WAPs, water access plans, are currently in place across 11 Tasmanian irrigation schemes. All irrigators applying Tasmanian Irrigation water have a current farm water access plan in place that provides for the sustainable use - in fact, you can't have the scheme without doing these WAPs. Farm water access plans are not a managerial requirement for inherited irrigation schemes in operation prior to the passing of the EPBC Act of 1999. I am sure you are all familiar with that act.

Consistent with the requirement of the annual farm WAP audit protocol, 29 farm water access plans were audited this year. No breaches of the farm WAPs were identified during the irrigation season or the annual compliance audit process.

Dr BROAD - We've talked a little bit about the upper House inquiry in passing, but there's a range of entities responsible for water management in Tasmania. Is the upper House inquiry an opportunity to look at water governance more generally?

Mr ROCKLIFF - Dr Broad, I can't recall exactly the terms of reference, but there's a little thing at the end saying 'or any matter incidental thereto'. It may well extend to that. I know the Tasmanian Farmers and Graziers Association, which I'm sure you've met with, would like the whole thing looked at. That would include TasWater, Tasmanian Irrigation and Hydro, that would be their view. I'm not going to dictate what they inquire into in a House that I'm not a member of. I am sure it may well come up in discussion.

Dr BROAD - There are a few other things happening in the water space, I suppose, like pumped hydro. Has TI done any modelling on the impact of pumped hydro on the irrigation schemes, from both a water availability perspective, but also from a cost perspective?

Mr ROCKLIFF - I'll throw that to Nicola.

Ms MORRIS - We are doing a huge amount of work around pumped hydro, but also other options to generate power. We have a couple of relationships in place. One with a consultancy business that has just completed some desktop surveys on a number of our existing schemes to see what the opportunity is to bring, effectively, containerised hydro plants in to just generate power off the side of smaller irrigation schemes. We are also engaging with Hydro Tasmania around the pumped options and we actually had discussions with them again yesterday. They had a briefing last week, which we were at and a progression of those discussions.

We are certainly looking at opportunities where we can find any way, effectively, to mitigate the costs of pumping and mitigate the costs of water for our irrigators. We are looking at all options.

Dr BROAD - Pumped hydro is probably an example of the issue of conflict of interest, as your chair sits on both the Hydro and Tas Irrigation boards. Is that something there has been any thought around?

Mr ROCKLIFF - Absolutely, and it is very well managed.

Dr BROAD - How many times has the chair had to absent herself from meetings about matters relating to that conflict of interest?

Ms HOGG - I don't have the precise number in front of me but I would say of probably four board meetings I would have exited for up to half an hour through this last 12-month period, and that was at Tas Irrigation. At the Hydro board meetings it probably was two or three occasions that I absented myself. No, it is extraordinarily well managed within Tas Irrigation. Roger Gill, the deputy chair, has been appointed as chair through those issues and I don't get to see the minutes from those sections until an issue is fully resolved and there is an outcome. It is very closely managed throughout anything where there is a relationship between the two entities.

Dr BROAD - Is it tenable down the track for that conflict to be in place from the minister's point of view?

Mr ROCKLIFF - I wouldn't say it is conflict necessarily.

Dr BROAD - I understand that, but you have a situation potentially where something that is in the best interests of Hydro in terms of pumped hydro schemes may negatively impact Tas Irrigation. If these conflicts arise, could it become untenable for somebody to sit on both boards?

Mr ROCKLIFF - I don't see it as an untenable situation. It is important to manage these conflicts when they arise, as has been done over the last 12 months. It is an important question and it is also important that it is managed very well within TI and Hydro board arrangements.

Dr BROAD - I suppose in a similar way we have John Whittington, the secretary of DPIPWE, sitting on the TI board and he is also ultimately responsible for the water management branch of DPIPWE. Now that TI will move towards a largely operational and administrative phase, could that also give rise to significant conflicts of interest that would require management as well?

Mr ROCKLIFF - If that does present as an issue then that conflict will be managed as well. I wouldn't use the term 'largely administrative'. If tranche 3 goes ahead it is still largely going to be a construction entity as well. Prior to John Whittington there was Kim Evans on the board as secretary for the Department of Primary Industries, Parks, Water and Environment, and it has always been that the DPIPWE secretary sits on the board.

Dr BROAD - But specifically a conflict could arise because the water management branch is responsible for putting in place water restrictions, while TI is responsible for filling contract obligations on delivery, et cetera. There is a potential for conflicts there in times of drought.

Mr ROCKLIFF - There could be a potential and of course the 2015-16 summer was an example of water restrictions. Thankfully our new extreme dry conditions policy assisted farmers through all that. Perhaps the CEO would like to provide further comment.

Ms MORRIS - The key thing with conflict of interest is that everyone is very aware of the potential and manages it accordingly. If we talk specifically about Hydro and any potential conflict with Sam, if we have a meeting with Hydro the first thing we will do is discuss where the discussion is sitting. Is this going to be a board table discussion and how should it be managed or is this a purely operational discussion? With any paper that I might put forward to the board, it is my job for any paper, not just my papers, to be absolutely clear if it could expose the chair to any conflict of interest, and if so they will have a different distribution list. I am very comfortable we manage that well.

In terms of the DPIPWE one, I believe that the discussions, particularly around water management, are operational, so I would report to the board the outcome. It would be unusual for it to be reporting to the board for a decision around water management.

Dr BROAD - I suppose that conflict is probably more from the DPIPWE end than the TI end.

Ms MORRIS - Again, I wouldn't have thought so. Your point is entirely right in that any potential conflict is identified and managed. That is absolutely key.

Ms DAWKINS - Minister, you were talking about environmental monitoring, water quality, river health, ecosystem health and all those good things. Can you also speak to salinity? Has there been an increase in salinity, especially in the southern midlands due to irrigation?

Mr ROCKLIFF - I am not aware of any increase in salinity, but I stand to be corrected.

Ms DAWKINS - How do you measure it? Do you look back to the Salinity Strategy from 2007?

Mr ROCKLIFF - I remember a 2004 environmental report which highlighted some concerns around salinity in Tasmania. Ms Jackson was minister for environment when she released that report; I remember it because I was shadow minister. It has always been an issue we have to be very mindful of, which is one of the reasons we do the water access management plans as well. This is also taken into account with our Water for Profit program. It is slightly different to the previous government's Wealth from Water program but it is designed to upskill farmers in applying water efficiently. It depends on the area in Tasmania. Where Dr Broad and I come from irrigation and pipes are part of our blood so it comes to us more naturally, but for some of the midlands farmers where it has been a traditionally dry grazing area they are less familiar, so there is a need to upskill farmers on environmental management.

Ms DAWKINS - But nothing specific on salinity?

Ms MORRIS - We conduct a wide range of tests, everything from pH conductivity, which we use as the proxy for salinity, and many other things - temperature, turbidity, dissolved oxygen and so forth. We have very strict criteria and at this stage have had no exceedances, but we have very clear protocols in place as to what we would do for a minor problem as a watching brief and what we would do in more severe cases and how we would escalate that. We are very comfortable but also very respectful that it is one that has to be constantly monitored.

Mr STREET - As more and more schemes come on board, what does that mean for water trading? Is there a market developing for water trading in Tasmania?

Mr ROCKLIFF - Yes, there is, and it has grown considerably over the last number of years from virtually nothing 20 years ago to what it is now. A mature water market which recognises the true value of water is a good outcome and further encourages the increased economic benefit from irrigations schemes with water being traded at its highest value use, as well as encourage farmers not to waste water.

The continued development of the water trading market was demonstrated with around 199 trades administered for a volume of just over 11 932 megalitres during the period July 2016-June 2017. The permanent trades have typically sold at a small amount over their initial sales price and the high for 2016 was a permanent transfer on the midlands scheme for \$1692 per megalitre, \$562 per megalitre above the sale price. The price for short-term trades averaged around \$62 per megalitre for 2016-17, up \$2 on the prior year average price. Water trading activity across most of the schemes allows irrigators to access additional flow rate and volumes during the season to meet demand. If you look at the table, I said last year in 2016-17 there were 199 trades. In the drought year, 2015-16, there were 340 trades, 18 200 megalitres were traded. So there is an indication of farmers' light and need for water and market intervention.

Mr LLEWELLYN - There is also sales, as well as trades.

Mr ROCKLIFF - Correct. That was up in 2013-14, 57 trades and the volume of water trade 4 731, so it is very much in terms of demand.

As water entitlements are not attached to land, private investors can purchase water entitlements and enter private trading arrangements. Several of these private trades have occurred in the Midlands and lower South Esk scheme. I think we detached water rights from land in your bill of 1999, before my time.

TI's role in water trades is the secondary market. It is only to administer water entitlement register and does not perform a water-broking role between a seller and a purchaser. Water trading is a flexible tool to manage risk in either wet or dry years and to meet water demands of changing business structure and objectives. Some of the figures highlight that.

Mr LLEWELLYN - A question about the north-east schemes. I was always very anxious to prioritise the north-east arrangements. I know Forester and other schemes have come on. Those schemes had a potential of developing a significant dairy industry. At one time there was an assessment of some 50 000 dairy cows that could benefit an irrigation scheme in that region, which would have probably led to another processing plant or whatever in the north-east region at Scottsdale.

How does TI now look at the north-east? I know some schemes have been individually installed. In the context of what I am saying and the priority, it would give a big boost to state finances or state growth. I have always been a supporter. It was the initial impetus to grow state product to magnify it in much the same way as the current Government is talking about doing by the year 2050. Can you give me some information as to what is happening in that area and what are the priorities?

Mr ROCKLIFF - The Scottsdale Irrigation Scheme has a government contribution of \$51.44 million budget approval and an irrigator contribution of \$12 million. Construction is expected to start construct in early 2018 and start in the 1920 season. This is high reliability irrigation water to areas of Scottsdale, Bridport, Waterhouse and Springfield. There has been a lot

of discussion about the Waterhouse over many years in that area. I remember that summer rains project - Waterhouse dam and all those things we have been through in the last 15 years or more.

The Scottsdale Irrigation Scheme, SIS as it is called, is based on 9300 megalitres from the Hampton Rivulet Dam which will yield 8600 megalitres per season and distribute to approximately 101 irrigators via an 84 kilometre pipeline network with good gravity pressure and three local waterways. In addition, the scheme incorporates a two megawatt mini hydro power station which will provide benefit to irrigators through a lower pumping charge for water supply during the summer irrigation period. The addendum business case was approved by our Government in February this year, following approval of the required water licence dam and work permits. Tenders for the design and construction of the SIS were released in September this year and closed in November, just recently. A funding application for the SIS is currently being assessed by the National Water Infrastructure Development Fund.

Mr LLEWELLYN - There were other schemes off the side of that at one stage.

Mr ROCKLIFF - Right. I remember a couple of those.

Ms MORRIS - Perhaps not so much the other schemes off the side, but your comments on the ability to enhance the dairy industry. Alongside work with the Scottsdale scheme we have been holding a number of discussions with everyone from local farmers to potential investors many of whom are looking at significant dairy conversion and expansion.

Again, we are trying to take the approach that if we have discussions before the design is actually finalised, how we can we facilitate getting water to different areas if need be. We have had some significant discussions with investors, looking at not 50 000 but an excess of 10 000 to 12 000 cows. We are confirming the dialogue to see that we can take water to where they need it to be.

Mr LLEWELLYN - I still see a potential there that is unrealised at the moment, that is all.

Mr ROCKLIFF - I agree.

Ms MORRIS - Agree, absolutely.

Dr BROAD - Can you detail how many farmers have pulled out of schemes over the past financial year?

Mr ROCKLIFF - Have pulled out of schemes? Schemes in tranche 2 -

Dr BROAD - In general, yes.

Mr ROCKLIFF - Sold? Or?

Dr BROAD - Have there been people who have handed back? People who have sold out rather than -

Ms MORRIS - I do not like the expression 'pulled out'. The only people who are no longer Tasmanian Irrigation clients are those who have sold their land as part of their normal business

practices and as part of that have sold their irrigation rights as well. No-one has come to us and said that we do not want your water any more, buy it back. That has not happened.

Dr BROAD - Also, as we have mentioned already, the latest scheme relaunched yesterday goes up to Clarendon. Are there discussions and thoughts - and the idea has been flagged in the past - about putting together a water grid, especially in the northern midlands or the Greater Midlands scheme? If so, has that been factored into design or is that something that would have to happen down the track?

Ms MORRIS - Probably a broader answer, if I may?

The future irrigation project is what I see as one of the most exciting opportunities for Tasmanian Irrigation at the moment. We are taking a holistic look at water. In the past with tranche 1 or tranche 2, it has been a region-specific, scheme-specific discussion. We are now having exactly the discussions you have just talked about. How can we holistically look at water management in a region? Whether it is northern Midlands, the south-east or Circular Head. As we build anything now, we are thinking about the ability for it to be part of a greater enhanced model in the future. That is the really exciting opportunity. Then you have better water trading. You can move water from best valued land and so on.

Dr BROAD - Is that currently being factored into the actual design?

Ms MORRIS - For anything new, yes.

Mr GROOM - Minister, I know there has been a strong focus from Tasmanian Irrigation doing everything they can to responsibly manage and reduce costs and where possible. Can you provide an update either directly or through Tasmanian Irrigation in terms of any initiatives?

Mr ROCKLIFF - We had some discussion about that earlier, Mr Groom. We discussed board remuneration together with Samantha and Nicola's work in looking at every aspect of the business to cut costs where possible. That has been reasonably successful to date.

Ms MORRIS - One of the discussions I had with irrigators, in particular irrigated shares was 'You are not the one who pays the bill. Where is your ownership?' I will use an example.

When we first started the process for energy, which is a price that will be passed directly on to the irrigator as variable charges, the indications were an 52 per cent increase. Some schemes have actually gone down slightly, an average of around 10 per cent to 12 per cent. That was Tasmanian Irrigation fighting tooth and nail and getting as much support as we could from within the Government to bring those prices down.

It would have been a lot quicker if we had accepted the prices as they were given to us, so it was that really strong negotiating using our collective power to pull those prices back down.

Ms DAWKINS - Minister, considering Ms Morris' comments around holistic planning for water management, does that mean that you would consider a no-gauge no-take policy for all irrigators?

Mr ROCKLIFF - Are you talking about water metering here?

UNCORRECTED PROOF ISSUE

Ms DAWKINS - Yes. At the moment there are many different ways water is taken and not all people know how much water they are taking from Tasmanian waterways. If you're looking at water holistically it would follow that we'd need to know how much water is being taken by irrigators at a baseline level.

Mr ROCKLIFF - In terms of gauging, a lot of the gauges were damaged in the 2016 floods and they will have to be rebuilt so we can have better flow gauges. I can't give you the percentage of farmers that have water meters.

Mr LLEWELLYN - They are all supposed to have them.

Ms DAWKINS - But they don't.

Mr LLEWELLYN - All of them are supposed to, according to the policy.

Ms DAWKINS - That's right, but they don't.

Mr ROCKLIFF - As I say, I can't think of the percentage that do but I encourage farmers to do so. Mr Llewellyn has one. I know there was some investment, because I have personal experience in this, in the Aventi scheme a number of years ago, and that was less than successful, I have to say unfortunately, but with all good intentions. It was around 2007. Farmers should be encouraged to monitor their water metering.

Ms DAWKINS - This is a stick-carrot type of scenario. You can encourage people as much as you like but if they're not going to do it - and I think by now those sorts of farmers would have, the ones who don't - what can you do to ensure that all farmers have a level playing field?

Mr ROCKLIFF - Programs such as Water for Profit would certainly encourage farmers to manage their water resource effectively. Water budgeting is very important. It is an important part of the water access management plans in terms of understanding where you're at in terms of your application of water so you're not leaching valuable nutrients through the soil and not only valuable nutrients to the crop or pasture but also nutrients that don't really need to be in the waterways, such as nitrogen and the like. I will take your question on notice unless Nicola has anything further to add there.

Ms MORRIS - I can only answer for Tasmanian Irrigation. The subtleties are that everyone is paying for their water, so they have an absolutely vested interest in knowing exactly how much water they have used. Because of our system of water rights we can control the volumes they use.

Dr BROAD - Is Tas Irrigation involved in any plans to pump wastewater currently being treated at Macquarie Point to the Coal River as part of the re-use scheme?

Ms MORRIS - One of the real positives I've seen over this last year is the far higher level of engagement with Tas Irrigation and other entities, whether that's Hydro or TasWater. We're working very closely with TasWater. We have a high level steering group that meets frequently during the year and we are looking at a couple of re-use water schemes, one in the Coal River, exactly as you've stated, and one in Circular Head.

Dr BROAD - Circular Head as well. How extensive would that one be?

UNCORRECTED PROOF ISSUE

Ms MORRIS - That's limited to winter water and 3000 or 4000 megalitres or something like that. Just basically again to your earlier point around planning and thinking about the regional approach, it's about thinking about how can we holistically look at all water within a region. The Circular Head example is a great example. We're going to have machinery out there putting in pipelines, so it makes perfect sense to think about putting an additional pipeline at the same time.

Dr BROAD - That won't connect to the Duck scheme? That would be a separate scheme?

Ms MORRIS - It can't be connected because obviously we can't mix re-use water with irrigation water, but it will be alongside it. My volume is wrong - the 4000 included summer water and it is approximately 800 megalitres for winter water.

Dr BROAD - Is that re-use scheme in the Duck compatible with the dairy industry?

Ms MORRIS - Every farm that uses re-use water will have to have their own environmental management plan for that water and there are very stringent conditions about what it can be used on.

CHAIR - The time for the scrutiny of TI has expired. I thank our witnesses for attending today, Sam and Nicola and thank you, minister.

The Committee suspended at 11 a.m.