

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2017

Agriculture and Water Resources

Question Number: 131

Division/Agency: Water Division

Topic: TasWater request for funding

Proof Hansard Page: 120-121

Senator BROWN asked:

Senator CAROL BROWN: I wanted to ask some questions about Tasmanian issues. I wanted to know if there had been a funding request from TasWater for Commonwealth funding for water and sewerage infrastructure in Tasmania?

Mr McLoughlin: The work that this department has been involved in in Tasmania has been the funding and the assistance with the planning for irrigation schemes. My understanding is that requests for funding for water and sewerage schemes for urban water supply has gone to the department of infrastructure, but I would have to check on that.

Senator CAROL BROWN: So I am in the wrong area, is that what you are suggesting?

Mr McLoughlin: That is my understanding, yes. We have been constrained to work on irrigation schemes rather than urban and domestic supplies.

Senator CAROL BROWN: Are you sure about that?

Mr McLoughlin: I can certainly take that on notice, but—

Senator CAROL BROWN: If you are sure, I will put my questions on notice to the department of infrastructure.

Mr Parker: I have just been informed that there may have been a mix-up between committees.

Senator Ruston: Senator Urquhart apparently asked these questions yesterday in Infrastructure and was advised that they needed to go to Environment last night, so she put them to Environment last night and she was actually handballed over here. Can I put on the record our apologies if this is the wrong place, that you have been given the run-around. We will make sure we get you the answers.

Answer:

The Treasury has provided the following response:

On 28 April 2016, the Joint Commonwealth and Tasmanian Economic Council (the Council) noted the challenges posed by Tasmania's ageing and dispersed water and sewerage

Question Number: 131 (continued)

infrastructure, and noted a funding model to address these challenges proposed by TasWater. The funding model proposed by TasWater included a \$300 million Commonwealth contribution. The Council agreed to further discussions on how to address the challenges presented. The next Council meeting is scheduled for 20 April 2017.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2017

Agriculture and Water Resources

Question Number: 132

Division/Agency: Water Division

Topic: Money spent in relation to the additional 450 gigalitres

Proof Hansard Page: 123-124

Senator XENOPHON asked:

Senator XENOPHON: I have only a few minutes so I will put a number of questions on notice, including questions on behalf of the member for Mayo, Rebekha Sharkie, on upgrading of any of the barrages, any costing and feasibility studies. I will put them on notice. I also note that the water efficiency labelling scheme people are here. I am afraid I will have to put those questions on notice, although I note that in estimates post-budget and at the end of the year we have a full day set aside in accordance with an agreement reached with the Prime Minister and the government in relation to this. I want to put on notice: how much of the money has been spent in relation to that additional 450 gigalitres? I want to go to one specific issue. The 2,750 gigalitres can be reduced to 2,100 gigalitres in terms of extra savings if there are complimentary measures. Is that correct?

Answer:

As at 21 March 2017, a total of \$272,083 had been spent (or recently approved for spending) under the Water for the Environment Special Account for Efficiency Measures programmes. The breakdown is as follows:

- \$44,167 (ex GST) has been spent developing the Commonwealth On-Farm Further Irrigation Efficiency (COFFIE) programme.
- \$227,916 (ex GST) has been allocated for agreed expenditure on the first two projects approved under the South Australian Pilot of the COFFIE programme.

The 2,750 gigalitre Sustainable Diversion Limit (SDL) can be reduced to 2,100 gigalitres if a full 650 gigalitres of supply measures are realised. Supply measures increase the quantity of water available for extraction by achieving equivalent environmental outcomes with a smaller quantity of water than was required under benchmark conditions. However, the Basin Plan sets an overall limitation of a net increase or decrease of 5 per cent on the size of the SDL adjustment (which equates to 544 gigalitres), so for a full 650 gigalitres of supply measures to be realised, at least 106 gigalitres of water needs to be recovered through efficiency measures. The Murray-Darling Basin Ministerial Council has agreed that complementary measures (that is, non-flow related measures such as carp control) can provide real environmental benefits, however no decision has been taken as to how complementary measures might relate to the SDL adjustment.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2017

Agriculture and Water Resources

Question Number: 133

Division/Agency: Water Division

Topic: Constraints' Strategy

Proof Hansard Page: Written

Senator MCKENZIE asked:

The \$200 million made available to mitigate third party impacts across the entire Basin under the Constraints Strategy is obviously totally inadequate, keeping in mind that the revised cost estimate for the Goulburn River Catchment alone is \$140 million and for the mid-Murray \$230 million.

Where would the extra money come from?

How did this project pass the Phase 1 guideline criteria of "being feasible within the estimated cost" when the Goulburn River Reach Report estimated mitigation costs alone have blown out by 350%? (From \$31-47 million initially to \$139.3million in Jan. 2016)

Answer:

On 5 May 2016, the Basin Officials Committee notified a package of 38 supply, constraints and efficiency measures to the Murray-Darling Basin Authority, including five constraints measures notified as supply measures. In addition to the \$200 million allocated under the Water for the Environment Special Account to implement constraints measures, constraints measures notified as supply measures are also eligible to be funded from the \$1.3 billion funding envelope allocated for supply measures under the Sustainable Rural Water Use and Infrastructure Program.

State governments are continuing to refine their constraints measure proposals. The Commonwealth will not be in a position to make decisions about required funding until the phased assessment process agreed under the Inter-Governmental Agreement for supply and constraints measures is complete and the volume of supply contribution of the final package of measures is determined.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2017

Agriculture and Water Resources

Question Number: 134

Division/Agency: Water Division

Topic: Constraints Strategy

Proof Hansard Page: Written

Senator MCKENZIE asked:

The MDBA has stated that an important principle of the Constraints Strategy is that it will not create any new risks to reliability of entitlements.

By 2018 another 204GL will be taken out of the Goulburn Murray Irrigation District(GMID) and handed over to the CEWH.

Since 1995 the GMID has lost 43% or 680,000ML of High Reliability Water Shares

By 2020 Goulburn Murray Water(GMW), which manages 70% of Victoria's water resources, is Australia's largest rural water business with approximately 38,000 customers(as at Feb 2016), will be unviable with no economic future due to the fact that there will be such a reduced volume of water in the system that it will be inefficient to deliver entitlements.

Please explain how removing another 450GL from irrigation districts that are already in decline will not reduce the viability of the system and put reliability of entitlements at risk?

INFORMATION NOTES- The predictions are that:

1. GMID will have only 700GL HWRS remaining by end of Connections program, reduced from 1600GL in 1996
 2. Irrigators will have a significantly more expensive system to maintain and a reduced reliability of water supply
 3. GMW have warned the Victorian Govt that all Victoria's irrigation districts were in decline.
- Other Facts: 1) 18% of new electronic meters that replaced Dethridge meters at a cost of \$60,000 per unit have never been used over the 7 years of their installation.
2) 43% of all GMID meters deliver zero or less than 10ML of water on a yearly basis
3) Infrastructure being installed where it is unlikely to be used because little or no water, but still claiming savings.

Answer:

For information on the 450 gigalitre efficiency measures programme please refer to answer to question on notice 136 from Additional Estimates hearings, February 2017.

Question Number: 134 (continued)

The water portfolio managed by the Commonwealth Environmental Water Holder includes 274.9 gigalitres long term average annual yield (LTAAY) of Goulburn and Broken River entitlements as at 31 January 2017. This volume includes 120.67 gigalitres LTAAY of water transferred under the Goulburn-Murray Water Connections Project Stage 2 programme (the connections programme).

The Goulburn-Murray Water Connections Project Stage 2 is the second stage of a major water infrastructure upgrade to improve off-farm irrigation efficiency in the Goulburn-Murray Irrigation District (GMID) of Northern Victoria. Stage 1, which is nearing completion, is a Victorian Government funded project of \$1 billion primarily aimed at identifying and upgrading the backbone supply system of the GMID. The largest component of the Project, in terms of cost and water savings, is the Connections component, involving thousands of individual properties. This component aims to connect customers to a modernised backbone supply system or disconnect them from the supply system if they wish to dry off.

Modernisation of the backbone supply system will include the removal of redundant spur channels. The water savings from the project is water that was previously lost through system losses.

A mid-term review of Stage 2 was undertaken and was publicly released on 5 November 2015. The review found that the Project would not achieve the outputs specified in the Funding Agreement on time and within budget if it continued to be implemented in the same way. It concluded that a fundamental change in the Project's approach and delivery was needed. On 31 July 2016 the Victorian Government submitted a Project Reset Delivery Plan in response to the issues raised in the mid-term review. Subsequently, the department commissioned a review of the Project Reset Delivery Plan. Victoria agreed to address the key recommendations highlighted in the consultant's report. An oversight committee (State and Commonwealth Agency Group) has now been established to support the implementation of these recommendations.

The Project Reset Delivery Plan includes a stronger focus on value for money in achieving water savings and working with the community to implement the Project, and is based on improved project delivery and landowner engagement models which are being implemented by a new project team. On 6 September 2016, Minister Joyce agreed to the Project Reset Delivery Plan which is expected to be completed by October 2020 within budget. A revised Project Schedule has been negotiated with the Victorian Government to give effect to the Project Reset Delivery Plan. A further 83.33 gigalitres of water will be recovered from the project for a total of 204 gigalitres.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2017

Agriculture and Water Resources

Question Number 135

Division/Agency: Water Division

Topic: Efficiency Measures Program

Proof Hansard Page: Written

Senator MCKENZIE asked:

GMW in its submission to the Senate Select Committee on the MDB Plan Feb 2016, stated that the Efficiency Measures Program(EMP) funded by the Water for Environment Special Account “will take large volumes of additional water from the GMID, adversely affecting regional productivity”, as 100% of savings from on-farm efficiency projects will be given to the Commonwealth.

This will reduce water deliveries, reduce GMW’s variable revenue, lead to tariff increases thereby increasing economic pressure on customers.

GMW’s fixed revenue will also be affected due to increased incentive to terminate delivery shares which again will lead to tariff increases to recover the revenue required to operate the distribution system, thereby further affecting irrigators.

Can you explain how the recovery of 450GL will NOT create adverse economic and social impacts?

Answer:

Please refer to answer to question on notice 136 from Additional Estimates hearings, February 2017.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2017

Agriculture and Water Resources

Question Number: 136

Division/Agency: Water Division

Topic: Socio-economic impacts

Proof Hansard Page: Written

Senator MCKENZIE asked:

A newspaper article in the Weekly Times on February 15th this year described how the South Australian Government “needs to be less “green-driven” by demanding water from upstream states, and start using the water we get, more efficiently and effectively,” it wrote. We read in the same article that “the latest scrap over the Plan, was sparked late last year when Federal Water Minister Barnaby Joyce said the 450GL – which comes on top of the 2750GL target, may not be possible without causing negative socio-economic impacts.”

How many times does the minister have to repeat the impossibilities with targets above 2750GL’s, before the authority finally accepts its outcomes simply won’t work?

Answer:

The Australian Government is committed to managing Murray-Darling Basin water resources and implementing the environmental obligations of the Basin Plan 2012 (the Basin Plan) in ways that ensure the best possible social and economic outcomes for Basin industries and communities.

At the Murray Darling Basin Ministerial Council meeting in Mildura on 17 March 2017, Basin state Ministers agreed to a plan to present to the Council of Australian Governments (COAG) that provides credible and balanced possible pathways to implement the Murray-Darling Basin Plan package agreed in 2012.

The plan will be presented to COAG First Ministers at their next meeting and released to the community at that time.

Ministers also agreed to the terms of reference for an independent analysis of efficiency measures (to recover 450GL of water), to ensure neutral or improved socio-economic outcomes. The analysis will be provided to the Ministerial Council in December 2017. This study will report on the potential socio-economic impacts from the design of measures at a range of scales, including socio-economic concerns that go beyond the specific legal requirements of the Basin Plan, and on strategies that may be required to ensure neutral or improved social and economic outcomes. The study will take into account information arising from the Murray-Darling Basin Authority’s (MDBA) evaluation of Basin Plan impacts and any other relevant

Question Number: 136 (continued)

information. Together with the MDBA evaluation, this will provide Ministers with a comprehensive set of information on the cumulative socio-economic impacts of the Basin Plan, including the recovery of the 450 GL through efficiency measures.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2017

Agriculture and Water Resources

Question Number: 137

Division/Agency: Water Division

Topic: Agreement of 2750GL

Proof Hansard Page: Written

Senator MCKENZIE asked:

On the same subject of water quantity, the Mayor of Goolwa earlier this year, in a SA radio breakfast show interview, told the announcers and the audience that a 3200GL delivery would be great, but he said twice in the interview, he'd be satisfied with 2750GL to service the Lower Lakes and Murray Mouth.

Meantime, SA Water Minister Ian Hunter made it clear on 17th November last year that he expects the full 3200GL.

Surely, the question should therefore be about agreement with the notion that its time for all responsible parties to accept the 2750GL, to enable a closure of the question of the quantity of water to South Australia that will also create an opportunity to remove the damaging constraints ideas from the statute books forever?

Answer:

Please refer to response to question on notice 136 from Additional Estimates hearing, February 2017.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2017

Agriculture and Water Resources

Question Number: 138

Division/Agency: Water Division

Topic: Constraints' Strategy

Proof Hansard Page: Written

Senator MCKENZIE asked:

The CEWH, Mr David Papps, has stated numerous times at public meetings and in letters to landowners that he will "NOT intentionally inundate private property without the consent of landholders." The decisions with regard to water orders made by the CEWH are totally independent of the MDBA and the Federal Govt. are they not?

Landowners are resolute in their refusal to allow the creation of easements on their private property.

Both State and Federal Governments have clearly stated in letters to landowners that they "will not intentionally flood private land without prior agreement of landholders, nor compulsorily acquire land or easements."

So how has the Constraints Strategy passed the evaluation criteria that states the proposal must be technically feasible, that is it can be accomplished?

And why is the 'relaxed constraints' Strategy still being even considered when there is no hope whatsoever of delivering that water?

Answer:

The Basin Plan required the Murray-Darling Basin Authority to prepare the Constraints Management Strategy (the Strategy). The Strategy was prepared to inform Basin state consideration of constraint measures projects and this included a method at a point in time for estimating costs.

The development of constraints proposals is the responsibility of Basin state governments as set out in the *Intergovernmental Agreement on Implementing Water Reform in the Murray-Darling Basin*. State government agencies in Victoria, New South Wales and South Australia are responsible for ongoing consultation with potentially affected landholders and communities.

Question Number: 138 (continued)

State governments are also responsible for the identification and mitigation of risks and third party impacts associated with constraints project proposals. This includes proponent states undertaking the property-by-property assessments as part of any implementation.

Constraints measures will only be included in the final package of Sustainable Diversion Limit (SDL) adjustment measures and be considered for Commonwealth funding if third party impacts can be addressed to the satisfaction of landholders and communities.

At the Murray Darling Basin Ministerial Council meeting in Mildura on 17 March 2017, Basin state Ministers agreed to a plan to present to the Council of Australian Governments (COAG) that provides credible and balanced possible pathways to implement the Murray-Darling Basin Plan package agreed in 2012, including:

- supply measures to offset the Basin Plan water recovery target of 2,750 GL by 2019, using the SDL Adjustment Mechanism;
- constraints measures to address impediments to delivering environmental water; and
- efficiency measures to recover an additional 450 GL by 2024, consistent with the Basin Plan legal requirement to achieve neutral or improved socio-economic outcomes.

The plan will be presented to COAG First Ministers at their next meeting and released to the community at that time.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2017

Agriculture and Water Resources

Question Number: 139

Division/Agency: Water Division

Topic: Goulburn River Reach

Proof Hansard Page: Written

Senator MCKENZIE asked:

In January 2016 the Goulburn Broken Catchment Management Authority revealed to communities in the Goulburn River Reach that the proposed environmental flows of 25,000ML/day with a peak of 30,000ML/day at Shepparton under the Constraints Strategy, would affect or inundate 562 properties and 11,552 Hectares. The proposed repeated frequency of environmental floods - an extra 1-3 floods every 10 years with 2-3 recurrent peaks with each flood, added to the stated 6 natural floods per 10 years will cause a massive reduction in productivity on the Goulburn river flats and their tributaries.

What is the assessed cost to Victoria and Australia's productivity in dollar terms in that a large percentage of this area is prime agricultural farm land?

If this hasn't been undertaken, what is the reasoning behind this lack of feasibility analysis?

Answer:

Please refer to response to question on notice 141 from Additional Estimates hearings, February 2017.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2017

Agriculture and Water Resources

Question Number: 140

Division/Agency: Water Division

Topic: Mitigation costs

Proof Hansard Page: Written

Senator MCKENZIE asked:

The policy of estimating mitigation costs for affected farmland is to use a method of disaggregation, or to cost impacts on only that portion of land which is the difference between where a natural flood would reach and the extra environmental flow would inundate.

As flooding affects the management and productivity of the entire farm, why has the MDBA approved this method of estimating costs?

Answer:

The Basin Plan required the Murray-Darling Basin Authority to prepare the Constraints Management Strategy (the Strategy). The Strategy was prepared to inform Basin state consideration of constraint measure projects and this included a method at a point in time for estimating costs.

State governments are responsible for the ongoing development and implementation of constraint measure projects within their respective jurisdictions, including all consultation, engagement and negotiation. A key part of this will be the identification and mitigation of risks and third party impacts. The approach proposed for constraints is consistent with that applied for managing high flow in the Hume – Yarrawonga reach. The mitigation is only applied to the area of floodplain that would be impacted by managed flows.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2017

Agriculture and Water Resources

Question Number: 141

Division/Agency: Water Division

Topic: Constraints Strategy

Proof Hansard Page: Written

Senator MCKENZIE asked:

Impacts of the Constraints Strategy on the tributaries in the Upper Goulburn, which provide 50% of the flow to the Goulburn, have not been investigated or estimated, apart from the land immediately (1-2 kms.) upstream of the confluence.

If this is a whole of Basin Plan, why has there been no investigation of impacts on the tributary catchments?

Answer:

The Victorian Government has developed a proposal for a Goulburn constraints project that has been formally notified as a supply measure for consideration under the Sustainable Diversion adjustment mechanism.

The constraints business case for the Goulburn River key focus area submitted by the Victorian Government acknowledges that information on the inundation footprint in the catchment needs to be improved by developing and refining existing inundation models and on-ground assessment of actual flow events. This will be an important element of the further development of the business case if the Victorian government decides to proceed with this project.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2017

Agriculture and Water Resources

Question Number: 142

Division/Agency: Water Division

Topic: Assessment Guidelines for Constraint and Supply Proposals

Proof Hansard Page: Written

Senator MCKENZIE asked:

The overarching evaluation criteria (Point 4) of the Phase1 Assessment Guidelines for Constraint and Supply Proposals states :

The risks and impacts associated with the proposed measure are manageable and acceptable.

These risks and impacts are not acceptable to landowners so to whom is it assumed they are manageable and acceptable? The policy makers??

Answer:

Please refer to response to questions on notice 138 from Additional Estimates hearings, February 2017.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2017

Agriculture and Water Resources

Question Number: 143

Division/Agency: Water Division

Topic: The Basin Plan

Proof Hansard Page: written

Senator MCKENZIE asked:

Ministers Blair and Neville are obviously very concerned at the modelling and assumptions made under the Basin Plan. So much so that they have established their own expert panel to independently investigate project risks and benefits.

Considering also the widespread concern from local landholders at the impacts of the Constraints Strategy and now the lack of faith in MDBA strategy assumptions shown by the Victorian and NSW Govts will you halt the process and review the Constraints Strategy?

And if not what are the reasons considering the growing evidence that the Constraints Strategy is neither viable or achievable?

Answer:

Please refer to response to question on notice 138 from Additional Estimates hearings, February 2017.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2017

Agriculture and Water Resources

Question Number: 144

Division/Agency: Water Division

Topic: Supply measures

Proof Hansard Page: Written

Senator MCKENZIE asked:

Victorian Water Minister, Lisa Neville has stated that “the adjustment mechanism is not delivering the offsets we expected”(letter to MDBA CEO Neil Andrews 6th Feb 2017).

On the 22nd April 2016 the MDBA had modelled 15 of the 37 nominated supply measures which had an estimated SDL offset of 370GL.

Exactly how many nominated supply measures in Victoria have been modelled and as the Ministerial Council has agreed to keep the community informed what is the current SDL offset?

Please explain in detail the reduced volume of offsets compared to expected volumes?

Answer:

The Murray-Darling Basin Authority (MDBA) has been progressively modelling the package of notified supply projects and reporting to the Murray-Darling Basin Ministerial Council on the anticipated outcome. While the final volume of offsets will not be known until the final package of notified projects has been modelled, in November 2016 the MDBA advised that 19 of the 36 notified supply measures had been modelled and that modelling indicated a sustainable diversion limit (SDL) offset in the order of 400 gigalitres. Eleven of these 19 projects were Victorian or joint Victorian projects.

At the Murray Darling Basin Ministerial Council meeting on 17 March 2017, Ministers were updated on progress with the SDL adjustment mechanism and its scope to improve the socio-economic and environmental outcomes of the Basin Plan. Ministers were informed by the MDBA that the SDL adjustment mechanism is on track to maximise the offsets outcome. Basin governments will need to settle the details of the package of measures in time for the Ministerial Council to make a decision regarding a second notification in June 2017. The MDBA will make its final determination of the SDL adjustment by 15 December 2017.

Through an agreed package of supply measures under the SDL adjustment mechanism, Basin governments are seeking to offset the full remaining water recovery gap in the southern Basin. Governments have identified a credible pathway to achieving this aim.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2017

Agriculture and Water Resources

Question Number: 145

Division/Agency: Water Division

Topic: The Basin Plan

Proof Hansard Page: Written

Senator MCKENZIE asked:

The Basin Plan is about fulfilling the triple bottom line, that is the social, economic and environmental benefits, which is a legislated requirement, but the initial modelling and assumptions by the MDBA have shown a gross disregard for the financial, social and economic impacts.

In 2013-14 landowners in the Goulburn Reach were informed by the MDBA there would be a property-by-property assessment regarding mitigation estimates.

Why has this never occurred?

Has the MDBA undertaken any analysis that puts a dollar figure on the environmental, social and economic impacts or benefits?

Answer:

Please refer to answers in questions on notice 136, 138 and 141 from Additional Estimates hearings, February 2017.