

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2015

Agriculture and Water Resources

Question: 159

Division/Agency: Water Division

Topic: Meetings with the Minister on Water

Proof Hansard page: 37

Senator CAMERON asked:

Mr Quinlivan: I think we have traversed in varying levels of detail just about everything associated with the Murray-Darling Basin Plan, the current priorities in the Murray-Darling governance arrangements, seasonal conditions and what they are meaning for operations of the water market over the next 12 to 18 months. Current issues, the water recovery plans, progress on the water infrastructure program, the operations and decision-making framework for the Commonwealth Environmental Water Holder—in fact, pretty much the full suite of contemporary water issues.

Senator CAMERON: How many briefings had the minister had?

Mr Quinlivan: It has been an almost daily event since then. There have been some conversations about water at least once week or more often.

Senator CAMERON: Can you give us dates and how often did these meetings last for?

Mr Quinlivan: That varies. Some have been an hour long, some 5 or 10 minutes depending on the nature of the issue.

Senator CAMERON: I think I have a lot of this stuff. In having another look at that, if you have missed any of the issues could you on notice provide details of when you met the minister, what the issues were that were discussed and how long the meetings took place. That would be helpful. In those issues that you have raised, was the issue of climate change and the issue of water discussed?

Answer:

From when the AAO's were announced, to the date of the committee's hearing, the Secretary met with the Minister 3 times to specifically discuss water portfolio matters.

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Agriculture and Water Resources

Question: 160

Division/Agency: Water Division

Topic: Program design and implementation plan

Proof Hansard page: 114

Senator SIEWART asked:

Senator SIEWART: I will go back to the design and implementation. The full program design and proposed implementation will be part of that plan that is released in a couple of weeks?

Ms Lauder: No, not necessarily. The program design definitely will be released on the website. We probably would not put the implementation plan on the website, because it is a lot of guff and process as well, so we would put a summarised version of that on the web.

Senator SIEWART: So would it be publicly available if somebody wanted it?

Ms Lauder: I do not know. I have not discussed that with anyone.

Senator SIEWART: Maybe you could take that on notice for me.

Answer:

National Water Infrastructure Development Fund guidelines for the Feasibility Study component will be publically available and will include information on the implementation of this component of the program.

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Supplementary Budget Estimates October 2015

Agriculture and Water Resources

Question: 161

Division/Agency: Water Division

Topic: Great Artesian Basin Sustainability Initiative funding

Proof Hansard page: 129

Senator WILLIAMS asked:

Senator WILLIAMS: Let's move to the Great Artesian Basin Sustainability Initiative funding. Where is the government up to in the implementation of this next phase—I think it is GABSI 4, isn't it?

Mr Slatyer: That is correct. This phase has recently commenced with a project starting in Queensland—

Senator WILLIAMS: When these bores are capped, the landowner puts money in as well as the state government and the federal government. Is that the way it works?

Mr Slatyer: It varies from state to state.

Senator WILLIAMS: Let's go to Queensland. Do landowners put money in up there? I believe they do.

Mr Slatyer: I cannot give you an answer, but all landholders do in all circumstances. I would have to take that on notice.

Answer:

Yes. Queensland landholders are responsible for the delivery of their own projects under GABSI (Phase 4) including the purchase of materials, drilling contractor services and consultants. All upfront capital costs are borne by the landholder. The Queensland government program will provide the joint governments' contribution of up to 80 per cent for rehabilitation works and 60 per cent for replacement works within 10 business days of the completion of the project.

This is a change from the arrangements in previous phases of GABSI, when Queensland paid for an agreed proportion of project costs upfront and also provided project management services. The change was implemented at the initiative of the Queensland government.

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Agriculture and Water Resources

Question: 162

Division/Agency: Water Division

Topic: Water licensing

Proof Hansard page: Written

Senator XENOPHON asked:

Does the Department have any concerns about water becoming a commodity owned and traded by private investors resulting in higher prices for farmers?

I refer to an article published in the Advertiser on Tuesday 13 October, titles *Local grower says rising water prices... 'Nail in the coffin'*. My constituent, Sam Koutouzis, claims that:

“Water has become a commodity owned and traded by private investors, such as banks and superannuation companies at a high return”,

And,

(For farmers with a permanent allocation of water) “Some growers could be financially better off selling or leasing their water allocations, rather than attempting to grow crops that cost money to water, and may yield historically low returns”.

Answer:

The Department does not hold any information that would support the contention that water holdings of private investors are resulting in higher prices for farmers.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2015

Agriculture and Water Resources

Question: 163

Division/Agency: Water Division

Topic: Water Licensing

Proof Hansard page: Written

Senator XENOPHON asked:

What measures are in place to ensure that water does not become a commodity owned and traded by private investors and unaffordable for farmers?

Answer:

In the Murray-Darling Basin, where the large majority of water trade occurs, Water Trading Rules are included in the Basin Plan (Chapter 12) to remove unnecessary barriers to trade, increase transparency of information to buyers and sellers, and improve confidence in the market. The rules complement state water reforms to implement the National Water Initiative. The Australian Competition and Consumer Commission is responsible for monitoring and enforcing compliance with the Water Trading Rules. Similar rules apply to trading in assets such as land and other commodities.

In addition, the government has also agreed to introduce legislation to Parliament by December 2016 to establish a register of foreign ownership of water entitlements. The proposed register will enable greater transparency regarding the value and extent of foreign investment in the sector.

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ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2015

Agriculture and Water Resources

Question: 164

Division/Agency: Water Division

Topic: Water Licensing

Proof Hansard page: Written

Senator XENOPHON asked:

Does the Department and or Minister have any concerns about farmers selling or leasing water allocations rather than using the water to grow crops?

Answer:

As the Agriculture Minister and on behalf of the Department of Agriculture and Water Resources, our preference is to see water used for productive purposes. Water allocations sold by farmers are not necessarily lost to production. This is obvious where the purchaser is also a farmer. A key feature which helped the irrigation sector get through the last drought was water trading. Cotton and rice farmers with small water allocations that were insufficient to grow those crops sold their allocations to the horticulture sector. This water allowed farmers to keep trees and other permanent plantings alive and help improve returns to cotton and rice farmers in low allocation years.

If the purchaser is not a farmer, ultimately the only way they can realise the value of their investment is by re-selling the allocation, which will eventually end up with another farmer. Obviously the lower the price a farmer pays for water, the greater the potential return at the farm gate for utilising water for productive purposes. There is also a risk in holding water, as significant inflows can rapidly reduce the price of water and result in losses for those who have purchased allocations at higher prices.

Depending on the entitlement, an allocation may be carried over from one year to the next, but in that case the return to the holder will be negatively affected by carryover deductions for evaporation losses. Carryover also bears up- and downside price risks, depending on the effect of seasonal conditions.

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ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2015

Agriculture and Water Resources

Question: 165

Division/Agency: Water Division

Topic: Buybacks

Proof Hansard page: Written

Senator XENOPHON asked:

In the Additional Estimates hearings in February I put questions on notice regarding water purchasing.

I was told that as at 31 January 2015, a total of 1,951.1 GL in long term annual average yield had been recovered – or 71 per cent of the target.

Can you provide the latest figures on:

- How much water has been recovered?
- How much has been recovered through buy-backs?
- Total cost of buy-backs and per GL cost

Answer:

As at 31 August 2015, 1956.2 gigalitres (long term average annual yield) has been secured.

As at 31 August 2015, 1164.6 gigalitres has been recovered through purchase.

As at 31 August 2015, a total of \$2.34 billion has been spent on water purchase. This gives an average cost of \$2.08 million per gigalitre in long term average annual yield terms.

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Question: 166

Division/Agency: Water Division

Topic: Buybacks

Proof Hansard page: Written

Senator XENOPHON asked:

I was informed that at this time, a total of 1,162.3 GL had been recovered through water purchasing initiatives.

Can you provide a breakdown of figures by type of water purchasing initiative?

Answer:

The breakdown of the 1162.3 gigalitres in long term average annual yields (LTAAAY) water purchase figure into the various water purchasing initiatives is as follows:

- Purchase by Tender: 1013.6 gigalitres LTAAAY
- State Purchase: 124.5 gigalitres LTAAAY
- Irrigator Led Group Proposals: 24.2 gigalitres LTAAAY

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Agriculture and Water Resources

Question: 167

Division/Agency: Water Division

Topic: Buybacks

Proof Hansard page: Written

Senator XENOPHON asked:

In answers to my questions, I note that the MDBA highlighted the priority for future recovery of gap bridging water will be through infrastructure investment.

How much funding is currently allocated to infrastructure projects?

What percentage is allocated to projects in South Australia? Can you provide a breakdown of funding per state?

Answer:

Over \$4.7 billion has been committed for infrastructure related projects in the Murray-Darling Basin under the Sustainable Rural Water Use and Infrastructure Program, the South Australian River Murray Sustainability Program and South Australia Riverland Floodplain Integrated Infrastructure Program.

Of this funding, around 20 per cent is committed to South Australia, 32 per cent to Victoria, 43 per cent to New South Wales, 3 per cent to Queensland and 2 per cent in the ACT. The target for gap-bridging water in South Australia is 183.8 gigalitres in long term average annual yield (LTAAY) terms, which is 6.7 per cent of the total target across the Basin of 2750 gigalitres LTAAY.

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Agriculture and Water Resources

Question: 168

Division/Agency: Water Division

Topic: Water purchases

Proof Hansard page: Written

Senator XENOPHON asked:

In answer to my previous questions I was also advised that the Government will continue to evaluate opportunities for strategic purchase opportunities up to the cap of 1500 GL.

Does this mean the MDBA won't be making decisions on future buybacks?

Answer:

The Murray-Darling Basin Authority is not responsible for decisions regarding purchase of water entitlements. The Department of Agriculture and Water Resources is responsible for considering opportunities for future strategic purchases.