

# **ENVIRONMENT, NATURAL RESOURCES AND REGIONAL DEVELOPMENT COMMITTEE**

## **Inquiry into the management, governance and use of environmental water**

Melbourne — 5 December 2017

### Members

Mr Josh Bull — Chair

Mr Simon Ramsay — Deputy Chair

Ms Bronwyn Halfpenny

Mr Luke O’Sullivan

Mr Tim Richardson

Mr Richard Riordan

Mr Daniel Young

### Witnesses

Mr Richard Anderson, water council chair, and

Ms Caitlin Hirst, senior policy advisor, Victorian Farmers Federation.

**The DEPUTY CHAIR** — Welcome to the Environment, Natural Resources and Regional Development Committee public hearing in relation to the inquiry into the management, governance and use of environmental water. I extend a warm welcome again to the public and any media present. The committee is hearing evidence today in relation to the inquiry into the management, governance and use of environmental water. The evidence is being recorded. The hearings are also being filmed and broadcast live via the Parliament's website, and I know there will be lots of people watching this inquiry. All evidence taken today is protected by parliamentary privilege. Therefore you are protected for what you say here today, but if you go outside and repeat the same things, those comments may not be protected by privilege.

I welcome Richard Anderson, chair of the water council, I think it is still called, in the Victorian Farmers Federation, and also Caitlin Hirst, who is the senior policy adviser for the Victorian Farmers Federation. Today's evidence is being recorded. You will be provided with proof versions of the transcript at the earliest opportunity. Transcripts will ultimately be made public and posted on the committee's website. Richard, we do encourage a short, brief opening presentation, and then the committee members would like to ask questions of you, your submission and the VFF's policy position on the reference.

**Mr ANDERSON** — Thank you, Deputy Chair, for the opportunity. We represent obviously a large membership base. A lot of those people are irrigators and in the irrigation industry, so we certainly have some views on certain events regarding water. As you know, I am from the north of the state, but we handle obviously water across the whole of the state — all the systems, stock and domestic, and irrigation. I guess all of the emphasis in the last probably 10 years has been the basin plan in the north of the state and what that has done to irrigated agriculture and the recovery of water for the environment. We did do a submission. We kept it fairly brief and stuck to the four main points under the terms of reference, but I am quite happy to expand on any of those issues and perhaps go from there.

I think the first one was the assessment of the role of environmental water management in preventing or causing blackwater events. Regarding blackwater events — and we heard the previous person giving evidence — I think we are aware of what they are, but the prevention of blackwater events generally gets down to the management of the environmental water. We expect good management. Where we are in the north of the state we have the view of the Victorian Environmental Water Holder, but the biggest player in the north of the state is obviously the Commonwealth Environmental Water Holder. They have large, large volumes of water available for environmental purposes. There has already been over 600 000 megalitres of water recovered out of the north that has been transferred to the Commonwealth Environmental Water Holder.

So to prevent blackwater events it really gets down to the management and the cooperation between the Commonwealth Environmental Water Holder, which holds large volumes, and our state environmental water holders. When I say that, especially in the north of the state most of the environmental assets are either privately owned or owned by the state. They are not owned by the commonwealth, yet the Commonwealth Environmental Water Holder puts his water into basically our environmental assets. We have had good examples already, though not so much in Victoria. There was one a couple of years ago just on the other side of the river in Wakool. It was a good example of a blackwater event. It killed hundreds of thousands of cod.

That was not about it being a blackwater event. That was about cooperation between the environmental water holders. They had a stack of water they could have used to prevent that. The major problem was that it took them a fortnight to get around to doing it, and of course fish do not last a fortnight; they get about 48 hours under a blackwater event. Not every blackwater event is ever going to be preventable, but certainly the use of infrastructure and the volumes of water being held increase our chances by a long shot of actually preventing those blackwater events. In conclusion, on blackwater events, it is really a matter of understanding and better local input, because you will find that a lot of the locals in a lot of these events are pretty much on top of what needs to be done and how quickly it can be done.

The next question was, I think, about consideration of what barriers exist to more efficient use of environmental water and how these may be addressed. There are problems with delivering environmental water. There is no question about that. The VFF's policy for a long time has been the liability issues regarding the flooding of private land. It is a big issue. It is not easily resolved. You have got to get flood easements. It took us 25 years to negotiate the flood easements between Lake Hume and Yarrowonga, and that is only a very small section of the river. To do that across the state would cost a lot of money. You have got to negotiate them. It would cost a lot of money and would probably take 50 years, I suspect, rather than 25, in today's day and age.

It can be done, but then there is the liability problem. If you make releases of environmental water down any of our rivers, the real risk is getting a rainfall event on top of that. The litigation that could follow where you have had an environmental flow — a deliberately planned environmental flow — and then you get high rainfall, as we saw over the weekend, particularly in the north of the state and parts of the south, that is where there is a question of legal liability for flooding out private land when you have made a deliberate release.

That liability to third parties is probably a question that is still going to need to be resolved. I guess the issue, and the one that strikes at the heart of most irrigators and other consumptive pool users, is the sharing of the channel capacity of these rivers in times of peak demand. Probably once again more in the north of the state, in an area like Mildura when you get perhaps two or three weeks in excess of 40 degrees there is a lot of demand. We have new developments opening up, and there has been a lot of water transferred to Sunraysia. Everyone is aware of the expansion of the nut industry. This will put extra demand on the river capacity. At some stage it will need to be addressed.

Legally it is not up to the planning minister to wave a wand and say, 'No more development'. That does not work. Under the ACCC's trading rules the only way we can effectively stop that transfer legally is because of the river capacity — the channel capacity. We end up competing for the water resource between our own state people up there — we have got to supply our entitlements to South Australia, and we have a basin plan that says 973 000 megalitres of environmental water are sent to the lower lakes — so there are some real issues in terms of the capacity of delivering that water. I am not sure it is in the interests of the environment or the irrigators in terms of running the river 365 days a year, top of the bank. From an environmental perspective I am not sure that is what they are looking for either.

We have had a policy long held by the VFF, right back to the Deputy Chair's days of the VFF presidency. We have had a long-held position in terms of those third-party impacts, and we do not walk away from that at the moment. We can certainly have a look at that river capacity in terms of putting a bit of a hold on the transfer of further water down the river, whether it be for environmental purposes or expanding agriculture down in Sunraysia.

We have also had a long-term view in terms of infrastructure — building infrastructure to put environmental water into key environmental sites. I think the Hattah Lakes, I heard that mentioned before, is a good example of where we would put that in per structure. Certainly as a farming organisation we were instrumental in getting up the 650 of environmental offsets, what is known as the SDL adjustment mechanism. We played a part in bringing that to fruition. But you have got to remember that if it does not rain, no-one has got any water. It does not matter how much entitlement the environment holds. It makes no difference. If it does not rain, you still cannot put water into your environmental sites or whatever. That is where your infrastructure comes in to play big-time.

Just going through how environmental water and environmental water managers interact with and utilise management tools such as carryover, the environment entitlement in some cases is held in water shares. In other cases it is held by bulk entitlements. We have a mismatch of what I would call entitlements out there. Pretty much the irrigation people are holding water shares. But with the environmental holder combination, whether it be the Commonwealth Environmental Water Holder or the Victorian Environmental Water Holder, we have a number of instruments.

Bulk entitlements: some of the bulk entitlements have flowthrough provisions in them for environmental water, where we make releases. Most of the commonwealth's entitlement is held in water shares. They basically said, 'We're only interested in water shares'. I have made the point to the department and to the minister that I think it is time that we went back and had a look at those bulk entitlements and cleaned them up. They have been altered, changed and amended over a number of years. Whether that was considered the easy option at the time, I am not too sure. But I think we get our chance now to perhaps open those up, have a good look at them and clean up the types of entitlements that are covered in the bulk entitlements and water shares.

Carryover: anyone holding water shares had exactly the same carryover provisions. We have all always maintained that if you hold a water share, it really does not matter who you are. Once we start segregating and saying, 'This type of water share has these rights, and this one has those rights', all you do is add to that confusion and mismatch of types of entitlements that are out there. So there are carryover provisions on water shares on most of the systems where they allow carryover. There has under the previous government been a review of the carryover rules. There were a couple of minor amendments to those carryover rules, but they are

pretty much well understood now. They are utilised by irrigators as part of their risk management within their businesses. So we see carryover as being a tool available, which is also obviously available to the environmental water holder.

**The DEPUTY CHAIR** — Richard, can I just ask you to pause there? No disrespect; I know you well. You were my chief water adviser when I was president of the VFF, so we have talked lots about water over a long period of time through quite a lot of controversy. The issue I have of course is that we have 10 minutes left. We have used 15 minutes of that time for you to make a presentation. I am going to have to ask, if you would not mind, the committee to raise questions of concern to them in the writing of our report. And then could you table that document, if you have actually got questions and answers?

**Mr ANDERSON** — That document has been submitted to the committee.

**The DEPUTY CHAIR** — Okay. So you are just going through your submission.

**Mr ANDERSON** — I am just pulling out perhaps what is not in the submission, a little bit more detail around some of these points.

**The DEPUTY CHAIR** — If there is time, do you mind if we tease that out further? But I would like to invite the committee to raise questions of interest to them, and then if there is time we will perhaps go back to your summary.

**Mr ANDERSON** — Yes, that is fine.

**The DEPUTY CHAIR** — Thank you. So just to change the order, I might ask Mr Young if he would like to kick off and ask the first question.

**Mr YOUNG** — Thank you for coming in. One of your recommendations here is about the CMAs' and the environmental water holder's responsibility in mitigation by reducing matter. And then on the other hand we have got a lot of anecdotal stuff happening, with landholders not wanting environmental flooding over their property and the issue and conflict there. Given that you represent farmers and those kinds of landholders, it is a bit of a mismatch of the expression we are getting here. I kind of understand that, coupled with the political climate. We had Environment Victoria in here talking before about the future end of the industry in some ways and a real focus on environmental water. So what I want to put to you is just to ask you about the political climate. What are the tensions like between environmental groups and irrigators, and how do we move forward and actually find solutions that are going to keep everyone happy?

**Mr ANDERSON** — I think we have already seen good examples of some of those solutions already. When we talk the about environmental infrastructure, the Hattah Lakes infrastructure has been a tremendous outcome for the environment and for irrigators because the amount of water required to run overbank flows every year for environmental purposes is physically impossible. We are either going to destroy irrigated agriculture and import all our food here — and we know the consequences of that — or we are going to try and strike this balance. It has always been a balance. We understand. As irrigators, it is a little bit like the towns and the critical human needs water. If Richard Anderson has got the last drop of water in the reservoir and Bendigo have not even got enough water to clean their teeth or have a bath, I know what is going to happen. I mean, I am realistic enough to realise that there will be a pecking order, and we need to get that balance right. It is not about everything for the environment; it is not about everything for agriculture. It is a matter of how we can work together to get good environmental outcomes without destroying the agriculture industry, which is basically all Victoria has got. We do not have the big mines or iron ore or anything else around here, so it always gets back to agriculture, of which irrigated agriculture is a big portion.

**Mr YOUNG** — So is there a sentiment flowing down from the VFF that if negotiations are going to start happening about flooding and flood events over private land, they should be done in good faith and moving towards a better outcome?

**Mr ANDERSON** — They will be done in good faith. As I pointed out, when we did the Hume to Yarrawonga they had to purchase floodway easements, but it took a lot of time and a lot of effort to achieve the end result. I am not saying that cannot be done in the north. Certainly it can be done in the smaller systems in

the south. It certainly can be done. But it is not going to be an easy exercise, and it will not be an easy trip politically no matter what side of politics you are on, I can so assure you.

**Mr YOUNG** — Let us hope that both parties can work cooperatively.

**Mr RICHARDSON** — Thank you, Mr Anderson and Ms Hirst, for coming in today. I am interested in the regulated releases and how that would be worked through in terms of the environmental water assessment and how that might be deducted. Can you talk a bit further about that and what response you might have had in putting that forward as policy?

**Mr ANDERSON** — The environmental water holders hold the entitlements, but the storage operators, which are our government water authorities, actually control the storages. In the case of the Murray system, Hume and Dartmouth, Goulburn-Murray Water do that on behalf of the MDBA. But there is always an issue in terms of when the storages are reasonably full. For flood mitigation purposes there are prereleases made out of the storages to create airspace for further inflows. That happened not this year, not this season; the previous season there was a large volume of water. In terms of the Murray system, that is fine. Because of the anomaly between our type of entitlements and the New South Wales type of entitlements, often it is an internal spill. So our half of the storages are full; any further inflows are just automatically spilling into New South Wales's share of the storages. That is an anomaly between the types of entitlements. We are never going to be able to change that. That is how it is.

But there is an argument for those prereleases when we release them down out of Hume and down the river. If we cannot harvest that water down at Lake Victoria, if we have got nowhere else to harvest it, basically it goes through to the lower lakes. That could be considered an environmental flow at a time of the year when the environment should be using this water to its best advantage, and there is probably an argument that it is a free kick for them, given that they are holding large entitlements on the system. If that is lined up with environmental watering requirements for that time of the year, we believe it should be part of their seasonal determination. They get to use it.

We have got different rules on seasonal determinations on the Living Murray water from all those years ago. There is no reason why we cannot have a set of rules around those early releases coming off their seasonal determination, and I think the payback for them is the storage fees — you know, you give a discount or you do not charge storage fees on taking that early water. What does that mean? It means that with the airspace you have created for further inflows, irrigated agriculture can get their reasonable share. If there is more airspace, it shores up the reliability of entitlements. That is where it is important. But it leads to another point that is really part of that same discussion.

There is a huge anomaly, especially in the north of the state, between the storage fees of the environmental water holder and the irrigators. Irrigators on the major systems effectively are subsidising the environmental water holder's storage fees by 20 per cent. It goes back to the old days prior to environmental water entitlements. It goes back to basin pricing versus system pricing, and basically the environmental water holders — in particular the commonwealth, with the volume they have got — are being subsidised to the tune of about 20 per cent. It goes back to prior to the unbundling, when water was always attached to land. Now we have got 40 per cent of the water not attached to land, so they get basin price and they are being heavily subsidised by irrigators who still have the water attached to their land. It is an issue. I am not sure that the irrigation sector should be subsidising the Commonwealth Environmental Water Holder — or the Victorian Environmental Water Holder, for that point — on behalf of the rest of the constituents within Victoria and certainly in the basin. So I think there is a real issue there that needs to be sorted out.

**The DEPUTY CHAIR** — Thank you, Mr Anderson. You have covered off my question, actually.

**Mr O'SULLIVAN** — Thank you, Mr Anderson, for coming in. If I can get two questions, I would be pleased. You were just talking about —

**The DEPUTY CHAIR** — I would be more pleased if they could be brief answers too, Mr Anderson.

**Mr ANDERSON** — Sorry, Deputy Chair.

**Mr O'SULLIVAN** — I want to talk about fees and charges, which we have already touched on. I just want to elaborate on that a little more. If you look at an irrigator's bill that they get in the mail — and I have got one here in front of me from Goulburn-Murray Water, and I will not mention whose it is — I just want to run through the list of fees and charges that appear on an irrigator's bill. I will read them out just for the record.

**Mr ANDERSON** — I know them well.

**Mr O'SULLIVAN** — For storage, entitlement storage fees for high-reliability water and entitlement storage fees for low-reliability water; delivery service fees; delivery irrigation service point fees; service point fees for stock and domestic; infrastructure access fees; surface drainage service fees; area fees; drainage diversion agreement fees; drainage diversion site fees; and local benefit area fees. That is just crazy. When you talk about getting the balance right, how can you have a system that is operating efficiently when you have got a water authority that is producing bills like this for irrigators with such a wide gamut of fees, which makes it very difficult to understand the transparency in terms of what the poor old irrigator is facing? Do you think we need an absolute overhaul of the fees and charges in relation to irrigator bills?

**Mr ANDERSON** — I will try and keep it very brief because it is a question that requires a bit of answering. If you are a small stock and domestic user, you get a bill for about \$300, and it certainly does not need to be itemised.

I declare my interest here. If you are paying a \$50 000 bill — and I think mine is due on the 16th of this month — I think you really want to know what you are paying for. Splitting it up a little bit like that, I would have an extra category on there. I think there is a cap ex one that is missing. It is all lumped in there. We do not know when we are paying for renewal of assets or new assets or whatever, and I think that one is important.

But the short answer is: currently under review. The second part of that short answer is that, given this is an environmental water inquiry, environmental water holders are really only paying the storage fee. They are not paying any of those other fees; they are only paying the storage fee. The Commonwealth Environmental Water Holder might hold 100 delivery shares in the Torrumbarry system, only because they have got to use the system to actually deliver water to some of their sites, but that is a drop in the ocean compared to the total Goulburn-Murray Water thing.

Certainly all those things are being looked at. We are well and truly on the record as wanting to pull apart some of those fees and see what we are paying for, simply because the biggest part of an irrigator's bill is the infrastructure access fee. No-one seems to be able to give us a straight answer. We have been asking for a number of years now. We cannot seem to get a straight answer of what that consists of, and there seem to be some inequities between what goes into storage fees and what might be in the infrastructure access fee. So I look forward to getting that fixed up sooner rather than later.

**Mr O'SULLIVAN** — If you could have that done by the end of the week, I would be appreciative, as would the irrigators.

**Mr ANDERSON** — You might be able to help me.

**Mr O'SULLIVAN** — Just one final question — it is in relation to the 450 gigalitres of upwater, which we have discussed a bit in this hearing and other hearings as well — from a Victorian Farmers Federation point of view, what would it mean for northern Victoria if there was a change of government federally and Mr Burke came back in as the water minister, changed the legislation and allowed for that 450 gigalitres of water to be recovered? What would the impact be for northern Victoria if actually that was to take place?

**Mr ANDERSON** — The short answer is that it would be very serious. We are in the process of spending \$2 billion on modernising the northern Goulburn-Murray water system over six districts. With any further reduction of the consumptive pool, there has got to be a tipping point as to how much water you put through that system. Once we go over that tipping point, the question becomes: is it affordable for irrigators? And that is the challenge.

A lot of people do not understand the consequences of the 450, but let alone that, they do not understand that under those agreements that were made with the authority by the end of this year we have got to tick off the 650 of SDL adjustment projects. That figure that is being presented by the MDBA is 605. That has got to be done by

the end of this year. I think when we get into the new year we need to have that discussion about the 450. There are a lot of studies being done at this moment in time. Ernst and Young are doing one on behalf of the Victorian and New South Wales state governments and have implemented that one through MinCo. But the question is, really, how do you recover 450 if we do have that change?

**Mr O'SULLIVAN** — My understanding of the EY review is that it is about how they would recover the water rather than the impact if the water was to leave the state.

**Mr ANDERSON** — Yes. It has probably ended up as something different to what it was intended to be. I have no doubt about that. But at the end of the day it becomes works and measures and no more water out of the consumptive pool. There are some thoughts that they might recover that through more on-farm works. But effectively the on-farm works still reduce the pool, where you are giving back a percentage of the water in return for doing the on-farm works. It still has the same end result. We wholeheartedly support the on-farm efficiencies and we have seen good examples of that, but no longer at the expense of giving further water back as part of the trade-off. Our challenge from a VFF of point of view, and I have been doing a fair bit of work on this over the last six months, is to get our own state scheme up to drive those on-farm efficiencies without having to hand over a portion of the water. That is our challenge, and we are currently well and truly in discussions in terms of achieving that.

**Ms HALFPENNY** — I have just a quick question. I think Daniel started to ask it. It was about the idea that the environmental water holders should be responsible for mitigating or reducing blackwater events by putting water through but not to encroach on private landholders. If there is a flood, it does not discriminate between private and public land. Do you believe, then, that the private landowner should be responsible for sort of trying to clear some of that debris and stuff as a contribution to avoiding blackwater?

**Mr ANDERSON** — I think you have already got examples of contributions by local landowners. But you have got to remember that the local landowners do not necessarily have the water entitlement, because it is also required as part of that process.

**Ms HALFPENNY** — But are there other ways, other than through water, that you can clear up or get rid of that debris?

**Mr ANDERSON** — I am sure there are some scientists out there. I am only a farmer; I am not a scientist.

**Ms HALFPENNY** — You need a rake; I do not know.

**Mr ANDERSON** — I am sure it is possible. But once again, it gets back to my initial statement. It is a matter of cooperation and coordination. That is what it is all about. Whether it be farmers, the environmental water holders or whatever, it is about making quick decisions. Anything that can be done quickly to prevent it should be looked at. But you have got to weigh that up too. I have seen water in the Barmah forest; I have seen water in Moira forest — environmental water in the middle of summer. People talk about droughts killing red gum trees. I tell you what: red gum trees sitting in water in the middle of summer, in water so hot you cannot put your hand in it, will kill red gums quicker than the drought will. There have been good examples of that.

**The DEPUTY CHAIR** — Richard, we have actually run out of time. Thank you very much for your verbal submission this morning. Thank you for the VFF's submission. You are representing the VFF in the submission. Thank you to Ms Hirst. I suspect you have the hardest job. You have not been able to get a word in. Knowing Richard well, he is well versed on the topic, so I am sure you have great support. Thank you both very much for coming here this morning.

**Mr ANDERSON** — Thank you

**Witnesses withdrew.**