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The Secretary
House of Representatives Standing Committee on Agriculture, Fisheries and Forestry
Parliament House
Canberra ACT 2600

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Dear Sir

Inquiry into future water supplies for Australia's rural industries and communities

The Tasmanian Conservation Trust (TCT) would like to make the following comments on this inquiry.

The provision of rural water supplies, particularly the building of large dams for the purpose of irrigated agriculture, has become heavily politicised in Tasmania in recent years, to the extent that political expediency, rather than economic viability and ecological sustainability, is the deciding factor in pursuing water infrastructure development. This is a deplorable situation, resulting in poorly conceived proposals which build unreasonable expectations amongst certain sectors of the rural community. Often this process can take several years at great cost to the taxpayer.

Example: The proposed Meander Dam, Northern Tasmania

The Meander Dam is an excellent example of this process. On first being elected in 1998 the Bacon Labor Government announced its Water Development Plan, of which the proposed Meander Dam was a major component. In late 2001 work began on a Development Proposal and Environmental Management Plan (DPEMP), which was subsequently released for public comment. A Supplementary DPEMP was released a number of months later, and in the meantime the proposal was declared a controlled action under the EPBCA, requiring approval by the Commonwealth Government.

A complicating factor is the role of the Rivers and Water Supply Commission (RWSC), a Tasmanian Government Business Enterprise (GBE), as the proponent, making the State Government effectively the proponent and the assessing body. This apparent conflict of interest is evidently of no interest to the State Government in the least.

This proposal has been pursued despite advice that it is economically unviable. The Executive Summary of the Economic Feasibility Review (appendix E) of the DPEMP makes a number of negative statements on the economic viability of this proposal such as:

- "...the majority of prices within the theoretical pricing range appear to be outside existing market tolerance levels..." (page 4)
- "A commercial viewpoint of the project on a stand-alone basis indicates that the project is unviable given the economic report on price and demand levels vis-à-vis the capital cost of the project and investment rates of return." (page 4)

Several months after the release of the DPEMP, the Economic and Agricultural Report was finally released. Deloitte Touche Tohmatsu (DTT) were employed to conduct the primary economic analysis. DTT's analysis

of water demand and pricing concludes that "a price of \$93 per ML at a demand of 20,000 ML and \$185 per ML at demand of 10,000 ML at the lowest required return on investment scenario" is required (Agricultural and Economic Report, page 41). The same report concedes that maximum demand is likely to be no more than "perhaps 11,000 to 13,000 ML" (page 14), requiring a water price around \$150 a ML. This is well above the current tolerable market level. The Tasmanian Government has persisted in stating that water price would be in the range of \$50/ML. To date, the Tasmanian Government has yet to produce any evidence to refute this report and prove that this proposal is economically viable.

There are also considerable environmental impacts associated with this proposal, such as on the state and nationally threatened spotted-tailed quoll *Dasyuris maculatus*. Quoting from the DPEMP, Appendix N (Spotted-tailed quoll report), page 15: "Our recommendation, based on the findings detailed in this report, is that the proposed Meander Dam site in the upper Meander catchment should remain undisturbed." Impacts on the heath species *Epacris* aff. *exserta* 'union bridge', listed as Vulnerable on the *Threatened Species Protection Act 1995* and as Endangered on the *Environment Protection and Biodiversity Conservation Act 1999*, are even more severe. The single largest population, comprising of over 20% of known individuals of this species, will be destroyed by dam operation.

The impact on the rural community of the Meander Valley has been enormous. A community focussed Water Management Plan for the Meander River, which would establish environmental flows, install water meters and formalise water allocations, has been shelved, due to the uncertainty that this proposal has created. There is still an expectation amongst some sectors of the community that water released from the dam would be free, and the Tasmanian Government has made no effort whatsoever to clarify this issue.

Other examples of inappropriate behaviour by the proponent include:

- Failing to advertise the designation of the proposal as a controlled action under the EPBCA in any Tasmanian newspaper, instead placing a single notice in *The Weekend Australian* on 9/10 March 2002.
- Calling for tenders for the design and construction of the proposed dam prior to the public consultation period ending (16 March 2002).
- Making numerous public comments along the lines of the dam definitely proceeding prior to the public consultation period ending or the assessment report being completed.
- Refusing TCT staff access to government scientists with knowledge of issues associated with the proposed dam.

The only restraints on this proposal are the *Environmental Protection and Biodiversity Conservation Act 1999* (EPBCA) and National Competition Policy (NCP). Without these Commonwealth assessment processes, it is likely that the Tasmanian Government would have already begun construction of a dam that would have significant environmental impacts, and fail to perform economically.

The Environmental Protection and Biodiversity Conservation Act 1999

One of the two major influences that the Commonwealth Government has on Tasmanian policy with regards to rural water supply is the *Environmental Protection and Biodiversity Conservation Act 1999* (EPBCA). The EPBCA only effectively comes into play with development proposals, such as large dams. Additionally, the influence of the EPBCA only extends to Wetlands of International Significance (Ramsar wetlands) and listed nationally threatened species or communities. The existence of the Tasmanian Bilateral Agreement effectively reduces the Commonwealth's role to that of a supervisory body. In the majority of cases, the State Government will still conduct all environmental assessments 'called in' under the EPBCA and then report back to the Commonwealth.

The COAG Water Reform Framework and National Competition Policy

The COAG Water Reform Framework sets national benchmarks for the reform of the water industry. The broad areas addressed by this agenda are:

1. Cost recovery and pricing
2. Institutional reform
3. Allocation and trading of sustainable water entitlements

4. Environment and water quality
5. Public consultation and education.

These reforms are, amongst other things, correcting the under pricing of water and driving improvements in water use efficiency. Impacts on the rural community are summarised by Shadwick (*A Viable and Sustainable Water Industry*, page 3) as follows:

“The reforms have most impact on rural consumers. Properly managed and implemented, and with appropriate responses by irrigators, the reforms are expected to produce eventually a more productive rural sector, which will be beneficial for regional Australia. The water reform objective to produce sustainable river systems will enhance the consumptive rights of rural users and reduce their business risk, including through better water quality and improved security of supply. Also assisting the viability of Australia’s rural businesses will be the better definition of the property right represented in a water entitlement. Increased recreational use of river systems and the attendant increased tourism will help particular regions. The reforms could have differential impacts on rural economies and communities, depending on geographic shifts in production patterns as a consequence of water allocations and trading.”

The National Competition Council (NCC) assesses Tasmania’s progress against these benchmarks as prescribed by National Competition Policy (NCP). The incentive for Tasmania to comply is tranche payments worth up to \$79 million per year. NCC’s annual assessment process also allows for input from stakeholder groups such as the TCT, which we find extremely useful and informative.

Conclusion

The Commonwealth, through the EPBCA and NCP, acts as a fail safe for water policy development in Tasmania. The principles on which these two processes are based, that of environmental sustainability and economic viability, can only be seen as essential in managing Tasmania’s rural water resources. Therefore the continuing influence of these two processes on water policy in general must be at the very least maintained, and if possible enhanced.

For example, we believe that NCP should specify that all new developments should be justified by a full cost/ benefit analysis, including the impact of externalities. This analysis should be reviewed by the NCC to determine whether developments are economically viable and ecologically sustainable. It is particularly important that the World Commission on Dams (WCD) recommendations be considered in decisions related to new infrastructure. We would suggest that all dams be assessed to determine their performance against criteria used by the WCD, and on the broader set of cost-benefit issues now readily identified with dams, such as social and environmental factors. The NCC has also previously made it clear that until budgets have been approved for new infrastructure, no action would be taken for breaches of NCP requirements. We do not consider this to be a constructive approach as it is far too late in the planning and assessment process. There needs to be a process to determine at an early stage whether proposals are likely to be able to meet criteria or not. Significant public and private resources are invested in developing proposals which could be avoided by an “early warning” system.

We have included as attachments to our submission *Dams and Development: The Report of the World Commission on Dams* and the NCC Staff Discussion Paper *A Viable and Sustainable Water Industry*. We hope that the inquiry will find these two documents useful.

Please do not hesitate to contact our office if you would like more information on this issue.

Yours sincerely

Michael Lynch
Director