

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	139
Program:	4.1		
Division/Agency:	Water Reform Division		
Topic:	Condamine-Balonne - Licences		
Hansard Page ECA:	107 (28/5/09)		

Senator XENOPHON asked:

Senator XENOPHON—Further to the line of questioning asked by Senator Heffernan, has the department or the authority considered the nature and extent of the legal rights in respect of the Queensland authorisations or rights as to whether they could be subject to challenge or be circumscribed?

Senator Wong—I have considered this issue. I would prefer to take that question on notice. Because it does deal with a number of legal rights issues, I do not want to answer and get something wrong.

Answer:

The Queensland Government has prepared a Water Resource Plan and a Resource Operation Plan for the Condamine Balonne Catchment, under the *Water Act 2000* (QLD). The Water Resource Plan provides an overall framework for the sustainable management of water and the taking of water in the Condamine Balonne Catchment, and the Resource Operation Plan establishes a structure for converting existing authorisations into tradeable water allocations.

When the Resource Operation Plan comes into effect, it requires various categories of authorisation to be converted into water allocations. The nature and extent of the legal rights in respect of the Queensland authorisations or rights is a matter of Queensland law. Questions about the legal status of these authorisations should be directed to the Queensland Government.

From 1 September 2014 the Water Resource Plan for the Condamine Balonne Catchment will be required to be consistent with the Basin Plan, and the Basin Plan will override the Water Resource Plan to the extent of any inconsistency. Queensland will be required to manage the water in the Condamine Balonne Catchment in accordance with the Basin Plan, including compliance with the applicable, enforceable long-term annual diversion limits.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	140
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Twynam Purchase - licences		
Hansard Page ECA:	118		

Senator NASH asked:

- Senator NASH**—So how many does that add up to? Sorry to ask you to have to do that.

Ms Harwood—The precise number of actual licences entitlements I will take on notice because I have not brought that with me. I have brought the summary bringing it up to security classes and river systems.
- Senator NASH**—Great. In terms of the value, can you just explain to the committee how you arrived at a value? Was each done separately?

Ms Harwood—Essentially, sort of top down and bottom up. That is, we used our benchmark prices that we have for assessing tenders under the water buyback tender. For some elements of the offer we also got independent valuations where we did not have a large amount of market information to assist us in the evaluation.

Senator NASH—Who gave those to you?

Ms Harwood—I will take that on notice. I did not bring those valuations with me. We got independent valuations, then we looked at the entitlements overall...
- Senator NASH**—Just against all of those, over the last 12 months, what allocations were actually placed against any of those licences?

Senator Wong—We can give you the annual average, isn't it? Average annual allocation. I wonder if we could take the detail of the precise allocation to date on notice.

Answers:

1. Based on current data the number of actual licence entitlements and the total volumes are detailed in the table below.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Catchment/Water source	Number of Entitlements	Total Volume (ML)
Barwon	9	14,603
Gwydir – General Security	3	47,132
Gwydir – Supplementary	3	16,324.2
Lachlan – General Security	4	52,283
Macquarie and Cudgegong – General Security	6	39,114
Macquarie and Cudgegong – Supplementary	6	1,888.4
Murrumbidgee – General Security	3	47,606
Murrumbidgee – Supplementary	4	20,820

2. Two independent consulting firms, Arche Consulting and PSI Delta, were engaged to provide valuations for water entitlements where there was limited market information. These consulting firms used input from a number of registered regional valuers. The valuations were in addition to regular market price reports the Department obtains from consulting firm, GHD Hassall.
3. Total allocations for the unregulated and regulated entitlements previously owned by Twynam Agricultural Group in 2008-09 was 13,908.7 ML.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	141
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Water Purchases		
Hansard Page ECA:	122 (28/5/09)		

Senator NASH asked:

Senator NASH—So all up it is 240 gigalitres for this. Am I right? And the 57 brings the purchase to a total of 297?

Ms Harwood—Yes.

Senator NASH—Is all of that in New South Wales?

Senator Wong—No.

Senator NASH—Can I just have the breakdown of figures of that 297 across the different states?

Ms Harwood—No, I do not—

Senator Wong—We can provide that on notice. It is probably all on the website, but we will provide it on notice.

Answer:

Provided below are the volumes of water entitlements the Australian Government has secured through the Restoring the Balance in the Murray-Darling Basin program in each Murray-Darling Basin state, as at 30 June 2009.

New South Wales

- 2007-08 Tender – 16.2 GL
- Toorale – 14 GL
- 2008-09 Tender – 314 GL*

Queensland

- 2007-08 Tender – 0.0 GL
- 2008-09 Tender – 0.2 GL*

Victoria

- 2007-08 Tender – 7.3 GL
- 2008-09 Tender – 92 GL*

South Australia

- 2007-08 Tender – 0.4 GL
- 2008-09 Tender – 1.5 GL*

TOTAL – 446 GL

*The 2008-09 figures include all contracts exchanged

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	142
Program:	4.1		
Division/Agency:	Water Efficiency Division/ Water Governance Division		
Topic:	Twynam – legal advice		
Hansard Page ECA:	126 (28/5/09)		

Senator BIRMINGHAM asked:

Senator BIRMINGHAM—As to the second part of your question, which the Minister answered first about the legal challenge, Minister, have you or the department sought advice from the Australian Government Solicitor or Attorney-General's elsewhere in relation to that?

Senator Wong—We do not comment on legal advice, Senator.

Senator BIRMINGHAM—I am not asking what the advice is and I am not asking about advice; I am purely asking whether you have sought any.

Senator Wong—I will take that on notice.

Answer:

The Australian Government is not in a position to discuss whether it has sought legal advice on this matter.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome: 4 **Question No:** 143
Program: 4.1
Division/Agency: Water Efficiency Division
Topic: Water Purchases - Licences
Hansard Page ECA: 128 (28/5/09)

Senator SIEWERT asked:

Senator SIEWERT—Can I ask you—and I do not know if that is what you are doing in response to the question that Senator Xenophon asked—of the water that has been purchased, are you able to provide us with a breakdown of what is high security and what is general?

Dr Horne—Senator, perhaps we can take that on notice.

Answer:

The table below provides the volume of each water entitlement type the Australian Government has purchased through the Restoring the Balance in the Murray-Darling Basin program as at 30 June 2009. This includes 2007-08 purchases.

State	Entitlement Type	Exchanged Contracts total Volume (ML)
QLD	Supplemented	225
NSW	High Security	690
NSW	General Security	290,753
NSW	Supplementary	39,033
VIC	High reliability	91,247
VIC	Low Reliability	8,470
SA	High Security	1,899
NSW	Unregulated	14,000
TOTAL		446,319

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	144
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Water purchases – caps met in VIC		
Hansard Page ECA:	128 (28/5/09)		

Senator SIEWERT asked:

Senator SIEWERT—I know I have asked this at every estimates for a little while—and I am happy for it to be on notice—but can you give us an update of the districts in Victoria that have now met their cap for the year, where you may have made a purchase and where you have not been able to?

Ms Harwood—Yes, we can. It was 10 last time we spoke; I think it may be more now.

Senator SIEWERT—That is why I am after the update. That would be appreciated. What are the potential purchases that you have not been able to make and the amount of water involved in those purchases?

...

Senator Wong—There are two components that you just described in your question, Senator. The first was: in which district do we understand the cap to have been hit?

Senator SIEWERT—Yes.

Senator Wong—The second was essentially: how much water then can you not buy? I am not sure about what we could give on the second, because I am not sure what we would hold and what relevance it has if irrigators are unable to sell that, but I will see what we can provide on this.

Senator SIEWERT—The relevance is, and you will be aware, and I am not necessarily—

Senator Wong—No, I understand the political relevance, but I am saying that I am not sure what information we have, and also, once the cap has been hit, whether it is appropriate for us to provide information about an irrigator who might have wanted to sell who then made a decision not to sell because she or he could not sell. Do you see what I am saying? I think I understand the tenor of the question. If we can take it on notice, we will provide you with what information we are able to.

Answers:

1. As at 19 June 2009, the status of the Victorian four per cent limit is presented in the table below:

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Irrigation Area	Reliability Class	Total Entitlement (ML)	4% Tradeout Limit (ML)	Net Water Traded Out (ML)	Limit Remaining (ML)	Tradeout Limit Remaining (%)
Murray Valley Irrigation Area	High	261,600	10,462	10,741	-279	-2.7%
Torrumbarry Irrigation Area	High	327,400	13,098	12,764	334	2.6%
Campaspe Irrigation District	High	18,800	752	817	-65	-8.6%
Central Goulburn Irr. Area	High	356,700	14,267	14,260	7	0.0%
Rochester Irrigation Area	High	174,400	6,976	6,956	19	0.3%
Pyramid-Boort	High	204,400	8,176	8,162	14	0.2%
Shepparton Irrigation Area	High	167,800	6,712	6,628	85	1.3%
Nyah, Tresco and Woorinen	High	29,300	1,172	265	906	77.3%
Robinvale, Red Cliffs and Merbein	High	97,300	3,892	2,578	1,314	33.8%
First Mildura Irrigation District	High	63,700	2,547	-149	2,696	105.9%
Rochester Irrigation Area	Low	78,800	3,153	3,148	4	0.1%
Torrumbarry Irrigation Area	Low	150,000	6,000	6,064	-64	-1.1%
Central Goulburn Irr. Area	Low	161,900	6,476	6,423	53	0.8%
Nyah, Tresco and Woorinen	Low	5,600	226	77	149	65.9%
Campaspe Irrigation District	Low	10,100	403	153	250	62.0%
Pyramid-Boort	Low	99,000	3,960	3,451	509	12.9%
Shepparton Irrigation Area	Low	75,700	3,028	2,144	884	29.2%
Murray Valley Irrigation Area	Low	120,700	4,827	3,635	1,192	24.7%

Source: Victorian Water Register as at 19 June 2009

The above figures have been provided by the Victorian Water Register. Where tradeout limits exceed the four per cent cap, this is due to:

- Correction of wrong locations given to some shares at unbundling;
 - Sale of water shares by a mortgagee (which is not subject to the four per cent cap); and
 - Processing issues.
2. As at 30 June 2009, in northern Victorian irrigation districts to which the four per cent limit applies, the Commonwealth had 372 contracts exchanged that were unable to be considered for trade approval in 2008-09 due to the four per cent limit having been reached. However, under the recent 'Water for the Environment' Agreement between the Prime Minister and Premier Brumby, it is expected that 60 GL of these water entitlements will be exempted by Victoria from application of the 4% trading limits. Under this agreement, the Commonwealth will be granted a further 60GL of exemptions from the 4 per cent limit in 2009-10.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	145
Program:	4.1		
Division/Agency:	Water Governance Division		
Topic:	Twynam - Lachlan - Wetlands breakup		
Hansard Page ECA:	135 (28/5/09)		

Senator HEFFERNAN asked:

What will be the break-up between the wetlands, which are the proper wetlands in the terminal end of the creek in places like Juanbung, which by the way is a Twynam property, and the creek system at Booligal? Is there a plan for the break-up?

Could you, on notice, take the question of how the break up of the 50,000 megalitres on the Lachlan will be distributed?

Answers:

The Commonwealth Environmental Water Holder (CEWH) is required to manage the Commonwealth's environmental water holdings, consistent with the Water Act 2007.

It is expected that decisions on the use of environmental water in 2009-10 will be made with the aim of achieving ecological objectives for an extreme dry period: 1) avoiding the loss of threatened species; 2) avoiding irretrievable damage or catastrophic events; and (3) providing drought refuges to allow recolonisation following the drought.

The priority given to individual sites and watering actions is based on consideration against assessment criteria including, for example, the ecological significance of the asset and the expected ecological outcomes. The assessment of priorities also takes account of the total volume of water available from the CEWH holdings, advice from state governments, local site managers, and advice from the Environmental Water Scientific Advisory Committee (EWSAC).

Decisions about which sites receive water will depend on the particular circumstances occurring at that time. Possible use of environmental water in the Lachlan Valley includes sites such as the Booligal wetlands, the Great Cumbung Swamp, Lake Brewster, Murrumbidgee Swamp, Merrowie Creek and the Lachlan River channel itself.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	146
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Menindee Lakes – water savings		
Hansard Page ECA:	137 (28/5/09)		

Senator XENOPHON asked:

Senator XENOPHON—Just a couple. Ms Harwood, you mentioned earlier that \$1.6 million has been spent on the Menindee Lakes. I appreciate that it is principally a New South Wales government project with Commonwealth funding. I remember asking some questions about this a few months ago. Can you take on notice the progress of that and what the likely water savings will be in relation to evaporation and whether the project also considers the feasibility of alternative water storages for Broken Hill other than the Menindee Lakes, because that is, I think, a key issue for—

Answers:

There are two key projects the Australian Government is currently undertaking in order to implement the \$400 million Menindee Lakes Project.

Firstly, the Darling River Water Savings Project (DRWSP) Part B study, jointly funded by the Australian and NSW Governments, will investigate options to reduce evaporation at Menindee Lakes, improve the water supply and management of the Darling River system, and secure Broken Hill's water supply. The Stage 1 Final report is expected to be finalised in July 2009. The potential to eliminate less favourable options is currently being evaluated. Community consultation based on Stage 1 results is planned for August 2009. The final expected completion date for the project is November 2009.

Secondly, in March 2009, the Minister for Climate Change and Water, Senator the Hon Penny Wong, approved up to \$16 million in funding for Phase 2 of the Broken Hill Managed Aquifer Recharge (BHMAR) Project. The BHMAR project has been developed to investigate the potential for groundwater extraction and managed aquifer recharge in the vicinity of Menindee Lakes to secure Broken Hill's water supply. The BHMAR project is complementary to the Part B study.

Phase 2 of the BHMAR project involves data acquisition of the region's groundwater systems, primarily using airborne-electro magnetic surveys. While the timeframe for full completion is September 2010, an interim report will be provided by March 2010. If the findings from the Phase 2 Interim Report determine the use of sustainable groundwater resources and an aquifer storage system is practicable, a more detailed geological and engineering assessment will be undertaken to fully test this new approach.

The amount of water savings that can be achieved, and the feasibility of alternative water storages to secure Broken Hill's water supply, are currently being evaluated under these projects.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	147
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Food Bowl Modernisation Project		
Hansard Page ECA:	137 (28/5/09)		

Senator XENOPHON—In relation to that and the north-south pipeline, can you advise—again, perhaps, on notice—what the extent of the due diligence assessment is and will it be independently assessed.

Senator Wong—The north-south line pipeline is not subject to Commonwealth due diligence assessment because we did not fund it.

Senator XENOPHON—But in relation to the Food Bowl Modernisation Project?

Senator Wong—For stage 2, we can probably give you broad information about how we would approach due diligence there.

...

Senator XENOPHON—And to what extent there would be an independent assessment as part of the due diligence process?

Ms Harwood—Yes.

Senator Wong—But that is a level of detail that, in the absence of a project coming forward, I am not sure we could provide. Why don't we have a look at it and see what we can give you?

Senator XENOPHON—Sure. In relation to that, in the event that the project does come forward, would it, as a matter of course, include an assessment by an independent third party of the robustness of the project that is being proposed by the Victorian government?

Answers:

The approach to due diligence for the component of the Food Bowl Modernisation Project that the Australian Government has agreed to provide funding for, the Northern Victorian Irrigation Renewal Project, Stage Two, involves:

- The Department of the Environment, Water, Heritage and the Arts (DEWHA) providing the proponents with the document outlining the business case requirements - Basin State Priority Projects: Business Case Information Requirements which reiterates the criteria by which this assessment will be undertaken as described in Schedule E of the Intergovernmental Agreement on Murray-Darling Basin Reform of 3 July 2008.
- The proponent submitting a business case for the project as a whole or for component parts of the project.
- DEWHA making a due diligence assessment of the social, economic, environmental, financial and technical aspects of the project(s). Any such assessment will draw on independent, expert technical advice.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	148
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Water for the Future p. 207 & 208 Budget paper No. 2 - Twynam		
Hansard Page ECA:	Written Question on Notice		

Senator HANSON-YOUNG asked:

Given the Government has committed \$303million to water buybacks from the Twynam Agricultural Group, is there any money that will be left for future buybacks?

Answer:

The Australian Government has committed \$3.1 billion to the Restoring the Balance in the Murray-Darling Basin program to purchase water entitlements for the environment from willing sellers.

Latest purchase figures as at 30 June 2009, which includes all exchanged contracts to that date (including 2007-08 purchases), published on the department's website, is 446 GL of water valued at \$663 million. This leaves a further \$2.437 billion available for the Restoring the Balance in the Murray-Darling Basin program.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	149
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Southern Basin VIC – On-Farm Funding		
Hansard Page ECA:	Written Question on Notice		

Senator NASH asked:

1. Has Victoria been promised a set amount of the \$300 million Southern Basin on-farm funding? Or a fixed percentage?
2. How many Victorian Entitlements (by volume and value) failed due diligence through the purchasing program on the basis of their trade barriers (either 4 or 10 per cent)?
3. What percentage of the \$300 million on farm fund will be spent on-farm compared to Departmental management?

Answers:

1. No to both questions.
2. As at 30 June 2009, in northern Victorian irrigation districts to which the four per cent limit applies, the Commonwealth had 372 contracts exchanged that would be unable to receive trade approval due to the four per cent limit being reached. The contracts were for approximately 73 GL with a total value of \$157 million. As at 30 June no trades had been prevented through the ten per cent limit.
3. The \$300 million on-farm program is administered funding. Departmental management costs such as staffing are funded separately through the departmental budget. However, direct project costs such as legal advice will be funded through administered funding for the program.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	150
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	NSW Priority Projects		
Hansard Page ECA:	Written Question on Notice		

Senator NASH asked:

1. What value of on farm funds under the COAG priority projects have been spent in 08/09 in NSW (the answer is zero)? What value for this program has been dedicated to 09/10 and years in the forward estimates?
2. What value of the COAG priority on farm projects will end up on farm? What value have you allowed NSW to claim as operating expenses at a Departmental level?

Answers:

1. The Australian Government in the 08/09 financial year provided funding of \$232,000 (GST exclusive) to the NSW Government to support the development of project plans and a business case for the priority projects, including the on-farm priority project. The NSW On-farm priority project has a funding commitment of \$300 million, subject to due diligence of the business case.
2. The Australian Government is yet to receive a business case from the NSW Government for the on-farm priority project as a whole, so no determination has been made on the project budget for on-farm expenditure, expenditure timelines or claims for operating expenses for NSW Departments. A pilot proposal from NSW for a first tranche of on farm expenditure is currently being assessed.

In addition to funding for the on-farm priority project, the COAG priority project for NSW includes a further \$358 million which may involve on-farm expenditure through activities to improve meter accuracy and installation of stock and domestic water supply pipelines. The Australian Government is yet to receive a business case from the NSW Government for the metering or stock and domestic pipeline priority projects.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	151
Program:	4.1		
Division/Agency:	Water Governance Division		
Topic:	Water Market rules and regulations		
Hansard Page ECA:	Written Question on Notice		

Senator NASH asked:

1. What does the Department believe (sic) is effective consultation with the irrigation industry in terms of setting water market rules and regulations?
2. Does the Department recognise that the irrigation industry is nervous about the level of consultation that will be offered to them in, amongst other policy changes, developing the Basin Plan?
3. Does the Department believe that the consultation process used by the ACCC has been adequate and effective?
4. Does the Department agree that draft rules are not, by definition, the final version of a legislative instrument but are subject not only to consultation but also to Ministerial Approval and, indeed, the approval of the Parliament?
5. Is the Department aware that the ACCC have given advice to irrigation infrastructure operators that they will not be able to pay dividends to shareholders pursuant to their Rules in clear contradiction to the very concept of consultation?

Answers:

1. Under the *Water Act 2007*, the ACCC has the role of providing advice to the Minister on making the water market and water charge rules.

In developing its advice on market rules and termination fee rules, the ACCC has undertaken a three stage consultation process. The first stage involved publication of an issues paper, the second stage a position paper outlining the ACCC's initial policy position, and the third stage the release of a draft set of rules and advice.

At each stage of the consultation process, the ACCC invited comment from Basin State Ministers, operators, interested stakeholders and the public. The ACCC also published notices in national and regional newspapers and on the internet notifying stakeholders of the public forums and inviting submissions in response to the issues paper, position paper, and draft advice.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

The ACCC also conducted public forums as part of the consultations on the draft advice for water market, termination fee and infrastructure charge rules. In addition to formal consultation, the ACCC undertook targeted stakeholder consultation with Basin jurisdictional governments, operators, industry associations and irrigator groups on an ongoing basis.

In July 2008, in response to stakeholder feedback and at the request of the ACCC, the Minister extended the deadline for the ACCC to provide its advice to the Australian Government to allow more time for stakeholder consultation. This meant that the consultation period for the water market and termination fee rules occurred over a nine month period, beginning in April 2008 and ending in December 2008.

A similar consultation process over an extended timeframe has been used for the consultation on the remainder of the water charge rules.

2. Community consultation will be an important element of the Basin Plan. The Murray-Darling Basin Authority (MDBA) recently established the Basin Community Committee as required under section 202 of the *Water Act 2007*. This Committee, which must establish an irrigation subcommittee, is required to advise the MDBA in relation to engaging the community in the development of the Basin Plan. The *Water Act 2007* also requires the MDBA to invite public submissions on any proposed Basin Plan, and consider these submissions.
3. Yes. The processes and timeframes associated with making the water market and charge rules are dictated by the Water Regulations 2008 (the regulations). Public consultation was undertaken for these regulations which set out minimum consultation requirements for the ACCC, including consulting with Basin State Ministers, irrigation infrastructure operators and the public. In developing its advice the ACCC met these requirements.
4. Once the Minister has received the ACCC advice including draft rules, and if the Minister decides to adopt the recommended rules and is satisfied that consultation has been adequate, then the regulations require a four week public notice period. The Minister is required to issue a public notice on the Department's website, and in a national newspaper and an agribusiness-focused newspaper in each Basin State, along with a copy and a summary of the proposed rules, and the ACCC's advice. After the notice period, the Minister can sign the rules, which are then registered on the Federal Register of Legislative Instruments and subsequently tabled in Parliament. The rules have legal effect from the day after they are registered. As a legislative instrument, the rules are subject to the normal disallowance procedures in the Senate and House of Representatives.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

5. In its draft advice on the water infrastructure charge rules, the ACCC recommends that member-owned infrastructure operators servicing more than 10 GL of water entitlement that choose to make distributions to members will be required to have their infrastructure fees and charges approved or determined by the ACCC. This proposal is intended to prevent member-owned operators discriminating against non-member customers through the payment of distributions to their members. It does not prohibit operators from paying dividends if they choose. This proposal has been the subject of consultation on the draft advice and at the public forum.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome: 4 **Question No:** 152
Program: 4.1
Division/Agency: Water Efficiency Division
Topic: Water buybacks
Hansard Page ECA: Written Question on Notice

Senator NASH asked:

1. In terms of both megalitres of water and dollar values, how much water by state has the Commonwealth spent in buying water entitlements?
2. Do those figures include the purchase of 240,000 megalitres of water from the Twynam Group in NSW?
3. Did the Government undertake a social or economic impact process prior to removing this water and its economic and social benefit from regional communities in NSW?
4. Can the Minister confirm that every major purchase in your buyback process – Toorale, Tandou and now Twynam – has been in the State of NSW?
5. Will the Department give an undertaking to the rural and regional communities of NSW that this state has now made its contribution and no more water will be removed from it?

Answers:

1. At 30 June 2009, the Commonwealth has secured the purchase of the following water entitlements:

STATE	Volume (ML)	Value \$
NSW	344,476	\$444,132,477
VIC	99,716	\$213,933,204
SA & QLD *	2124	\$5,089,188
TOTAL	446,316	\$663,154,868

NB. The NSW figures include those for the Toorale Station purchase by NSW Government to which the Australian Government contributed \$16 million in funding through the Restoring the Balance in the Murray-Darling Basin program.

* SA and QLD figures are combined to protect the privacy of individuals.

2. The information provided in answer one includes the Twynam purchase.
3. All entitlement purchases that are undertaken by the department are judged according to the following criteria:
 - Ability to provide more water in a catchment where scientific evidence indicates that water needs to be recovered for the environment.
 - Capacity to deliver the water for an environmental benefit.
 - Relevant costs including offer price, transaction costs, management costs and any trade restrictions.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

- Applicant's compliance with the tender guidelines.

The Twynam purchase underwent the same tender application process as all other water entitlement trades and the department purchased the entitlements according to recognised environmental need.

Applications are not assessed against criteria to determine the economic and social impact they may have on regional communities. However, the department has engaged ABARE to conduct a study into the socio-economic impacts on the basin as a whole that the water purchase program may have on regional and rural communities.

4. Information about the purchases made by the department are provided in answer one.
5. The Australian Government is committed to restoring the health of our rivers by investing in more efficient water use and delivery, and buying back water entitlements across the Murray-Darling Basin from willing sellers.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	153
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Water buybacks - Twynam		
Hansard Page ECA:	Written Question on Notice		

Senator NASH asked:

Did the Department seek assurances from Twynam that the \$303 million will be spent in and on their operations in Australia, or will they be free to use that money on their operations overseas?

Answer:

The Department does not require vendors to give information on how they use proceeds from the sale of their water entitlements to the Commonwealth under the Restoring the Balance in the Murray-Darling program.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	154
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Water purchases - Twynam		
Hansard Page ECA:	Written Question on Notice		

Senator NASH asked:

1. Outline the process that was followed for the purchase of Twynam.
2. How was the value of the property determined?
3. How many licenses did this include? Break up per property.
4. What allocation had these properties received over the previous 3 years? Break up per property.

Answers:

1. The purchase of water entitlements from Twynam was made through the normal tender process under the Restoring the Balance program guidelines.

This process is undertaken according to the Program Information Guidelines issued by the Australian Government for the water purchase tenders. As all the Twynam entitlements were offered as a single package, the application was treated as a combined bid.

The application was assessed by an Evaluation Committee according to the tender Evaluation Plan, which included assessing the application against the selection criteria of:

- Ability to provide more water in a catchment where scientific evidence indicates that water needs to be recovered for the environment;
- Capacity to deliver the water for an environmental benefit; and
- Price including offer prices, transaction costs, management costs and trade restrictions.

The application was assessed as meeting the above value for money criteria. Following this, the application underwent due diligence assessment and was approved to proceed to contract.

2. The Department commissioned two independent valuations of the water entitlements offered for sale by Twynam. The transaction did not include the purchase of land by the Commonwealth.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

3. Breakdown of the Twynam purchase:

Water entitlements are sold according to the river system they belong and this information is provided below.

<u>Catchment</u>	<u>Licence Type</u>	<u>Volume (ML)</u>	<u>Total Volume (ML)</u>
Gwydir	General	47,132.0	
	Supplementary	16,324.2	
			63,456.2
Barwon	Unregulated		14,603.0
Macquarie	General	39,114.0	
	Supplementary	1,888.4	
			41,002.4
Lachlan	General		52,283.0
Murrumbidgee	General	47,606.0	
	Supplementary	20,820.0	
			68,426.0
		TOTAL (ML)	239,771.0

4. Twynam entitlement allocations for past three years:

Catchment	Type	Entitlement Vol. (ML)	Allocation 2006-07	Allocation 2007-08	Allocation 2008-09
Barwon-Darling	Unregulated	14,603.0	n/a	n/a	n/a
Gwydir	General	47,132.0	0.0	11,438.9	0.0
Gwydir	Supplementary	16,324.2	0.0	0.0	0.0
Lachlan	General	52,283.0	0.0	0.0	0.0
Macquarie & Cudgegong	General	39,114.0	0.0	1,955.7	3,911.4
Macquarie & Cudgegong	Supplementary	1,888.4	Unknown	0.0	0.0
Murrumbidgee	General	47,606.0	4,760.6	6,188.8	9,997.3
Murrumbidgee	Supplementary	20,820.0	0.0	0.0	0.0
<u>TOTAL</u>	All	239,770.6	4,760.6	19,583.4	13,908.7

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	155
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Water purchases – Twynam - Consultation		
Hansard Page ECA:	Written Question on Notice		

Senator NASH asked:

1. What consultation took place with the local communities affected by this sale?
2. Were the various communities affected by the sale aware of the possibility of the sale?
3. Has the Minister or anyone from the Department visited the various properties or surrounding communities affected by the sale?
4. How many people does Twynam employ and how many will be affected by the sale?

Answers:

1. As with all water entitlement purchases that are made by the Department under the water purchase tenders, this purchase was judged according to the following criteria:
 - Ability to provide more water in a catchment where scientific evidence indicates that water needs to be recovered for the environment;
 - Capacity to deliver the water for an environmental benefit;
 - Relevant costs including offer price, transaction costs, management costs and any trade restrictions; and
 - Applicant's compliance with the tender guidelines.Public consultation is not part of the assessment process for determining if a sell offer represents value for money.
2. All sell offers the Australian Government receives from willing sellers are tender-in-confidence. To ensure the privacy of willing sellers no information relating to sell offers is released prior to the trades being secured.
3. The Minister for Climate Change and Water has not visited the properties affected by the sale of Twynam's water entitlements to the Australian Government. However the Minister has made visits to numerous regions and communities across the Murray-Darling Basin as part of her ongoing community engagement about the need to prepare for a future with less water. This has included meetings with key stakeholders as part of a three day tour in March 2009 to Goondiwindi, Moree, Dubbo, Trangie, Bourke and Broken Hill. The new Parliamentary Secretary for Water the Hon Dr Mike Kelly also visited Moree in July 2009 to meet irrigation representatives.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

The department is also committed to public consultation on the Restoring the Balance in the Murray-Darling Basin program. A Stakeholder Consultative Committee was formed in late May 2008 to provide input to a review of the 2007-08 round of water entitlement purchasing. This committee has since concluded its work and a new Water Recovery and Environmental Use Stakeholder Reference Panel with wider terms of reference has been formed to provide an opportunity for stakeholders from various backgrounds to share their views on the water purchase program and the use of environmental water.

Further, the Department has visited a number of regional centres for discussions with stakeholders about the water purchase program, including: St George, Goondiwindi, Moree, Gunnedah, Dubbo, Griffith, Deniliquin, Shepparton, Mildura and Berri since the program began in 2008.

4. Twynam Agricultural Group's public statement on the sale of their water entitlements to the Australian Government states:
"Twynam presently employs approximately 63 full time and 8 part time people and also engages a pool of casual employees throughout the year."
"It is not envisaged that there will be a substantial reduction in numbers due to the sale of the river water entitlements as Twynam continues to address its changed production mix."

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	156
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Water purchases – Twynam – land and agriculture		
Hansard Page ECA:	Written Question on Notice		

Senator NASH asked:

1. Was any land purchased as part of the sale?
2. What agriculture will be lost as a result of this sale?
3. Will agricultural production levels remain the same?

Answers:

1. The Commonwealth did not purchase any land as part of the sale.
- 2-3. Twynam Agricultural Group's public statement on their sale of water entitlements to the Australian Government states:

“Twynam’s outlook for the future of its Australian agricultural business will be to operate in strategic geographic locations which enable economies of scale and integrated management that addresses changing commodity markets and sustainable productivity.”

“Twynam will continue to hold licences for sustainable groundwater resources and will maintain further flexibility by retaining River Water Access Licences to enable access to its entitlements and temporary river allocations.”

And;

“Twynam’s cropping productivity will not be significantly impacted compared to recent seasons.”

“Twynam has responded to drier seasonal conditions by utilising more of its water allocations for winter cereal cropping where appropriate and/or implementing water efficiency programmes or changes to its commodity mix to maximise productivity.”

“It has reassessed the effective on farm use of lower levels of water delivered and has actively participated in the temporary water market.”

“To efficiently continue to use its retained water resources, there will be an ongoing reassessment to improve water efficiency, energy use and commodity mix.”

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome: 4 **Question No:** 157
Program: 4.1
Division/Agency: Water Efficiency Division
Topic: Water purchases – Twynam purchase
Hansard Page ECA: Written Question on Notice

Senator NASH asked:

1. At the time of the sale how much total actual water was available – break down per property.
2. What percentage of Twynam's total water allocation was purchased?
3. What will happen to the water infrastructure on the various properties?
4. How much water does the government expect this purchase to return to the river for environmental purposes?

Answers:

1. Twynam entitlements for 2008-09:

Catchment	Type	Entitlement Vol. (ML)
Barwon-Darling	Unregulated	14,603.0
Gwydir	General	47,132.0
Gwydir	Supplementary	16,324.2
Lachlan	General	52,283.0
Macquarie & Cudgegong	General	39,114.0
Macquarie & Cudgegong	Supplementary	1,888.4
Murrumbidgee	General	47,606.0
Murrumbidgee	Supplementary	20,820.0
<u>TOTAL</u>	All	239,770.6

Allocations made to the Twynam water entitlements prior to the trade being registered belong to the vendor. The Commonwealth will receive all allocations announced after the new ownership details are registered with the NSW Land Titles Office.

2. The Restoring the Balance in the Murray-Darling Basin program purchases water entitlements for the environment not allocations. Entitlements provide the Commonwealth Environmental Water Holder (CEWH) with the permanent right to any allocations against the entitlement in future years. This achieves a permanent rebalancing of the system, rather than purchasing allocations each year from irrigators.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

3. The infrastructure on Twynam properties where water entitlements have been purchased remains the property of Twynam and decisions on how this is used are a matter for the Twynam Agricultural Group.

Twynam acknowledges that there will be changes in the nature of its operations, but has indicated that the Twynam properties will continue to be agricultural production units, including irrigation supported by the purchase of water from the allocations market where profitable opportunities arise.

4. The Department expects the entitlements purchased from Twynam to yield on average, 107GL of water for the environment each year.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	158
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Southern and Northern Water Tenders - criteria		
Hansard Page ECA:	Written Question on Notice		

Senator SIEWERT asked:

1. How much does the Department anticipate investing in each of the Southern and Northern tenders by the time all the sales have been completed for this budget year?
2. What are the criteria that the Department has used in assessing water entitlements for their ecological utility and value for money?
3. Has this changed significantly from the 07/08 tender and if so, how?
4. To what degree is the impact of climate change on rainfall and runoff patterns incorporated into the future reliability of water entitlements and the entitlement acquisition process?
5. To date, what proportion of initial offers are pursued? Is there a substantial difference between the Northern and Southern Tenders in this regard?
6. What proportion of high, medium and low security water entitlements is the Department aiming to secure? On what advice is this based?

Answers:

1. As at 30 June 2009, the Department had exchanged 587 contracts totalling \$351,141,348 for water purchases from Southern Murray Darling Basin (MDB) catchments and 55 contracts totalling \$261,655,550 for water purchases from Northern MDB catchments.
2. The Department uses the following three criteria in assessing water entitlements for their ecological utility and value for money:
 - a) Ability to provide more water in a catchment where scientific evidence indicates that water needs to be recovered for the environment.
 - b) Capacity to deliver the water for an environmental benefit including:
 - o the management arrangements and infrastructure required to deliver and use the water entitlement for environmental benefit
 - o whether the entitlement is able to provide water when it is needed
 - o possible water losses through seepage, evaporation and extraction by other licensed water users, and
 - o the relevant state legislation and water sharing plan which govern the use of the water entitlement and provide security over the property right.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

c) Value for money including:

- Offer price – this will be considered with specific reference to prevailing market prices and the annual average volume of water that the Commonwealth expects to receive from the entitlement
- Transaction costs – the costs of obtaining approval for the trade and transferring ownership to the Commonwealth. As this is a fixed cost for each transaction, larger parcels of water will be preferred
- Management costs – includes future storage and delivery costs, as well as the cost of delivering and maintaining partnership arrangements for the management of the water.

These criteria are included in the published guidelines for the program.

3. No.

4. One of the objectives of water purchases under the Restoring the Balance program is to offset the risks to the environment from reductions in surface water availability caused by climate change. The risks posed by climate change to future water yields to particular entitlement classes is considered during the assessment process
5. In the 2008-09 Southern Basin tender approximately 65% of initial offers are being pursued and in the 2008-09 Northern Basin tender approximately 26% of initial offers are being pursued.
6. There are currently no fixed targets by entitlement category. However, when building a portfolio of environmental water entitlements, consideration is given to both environmental needs and the mix of entitlements already acquired. Where more than one entitlement can meet the known environmental needs, the price of each offer is adjusted to account for differences in long term average water yield before the assessment of price is done.

The environmental watering plan being developed by the Murray Darling Basin Authority as part of the Basin Plan is expected to provide guidance on the required mix of entitlements when it is completed. In the interim, the Department is drawing on the best available scientific evidence, including the CSIRO Sustainable Yields project (to understand the risks posed to the environment by climate change), the Murray-Darling Basin Commission's Sustainable Rivers Audit (to understand where there is already evidence of over-allocation), and other advice from within the Department on environmental water recovery priorities, to guide current purchasing.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome: 4 **Question No:** 159
Program: 4.1
Division/Agency: Water Efficiency Division
Topic: Southern Basin Water Tender – expenditure
Hansard Page ECA: Written Question on Notice

Senator SIEWERT asked:

For the Southern Basin tender:

1. How much money has been spent or is at this moment tied-up or in-play in the tender?
2. Of this money, how much or what proportion has been spent or is tied-up or in-play in relation to high, medium and low-security water?
3. What total volume of water entitlements does this equate to?
4. Of that volume, how much or what proportion is classified as high-reliability, medium-reliability and low-reliability?
5. Under these three headings, high, medium and low-reliability water entitlements, what is the range and the median number of years during which the full entitlement will be available as an allocation?
6. What is the actual volume of water that would have been available in this water year from the total amount of entitlements at issue under the 08/09 tender?

Answers:

For the Southern Basin tender:

1. As of 30 June 2009, exchanged contracts were in place for the purchase of \$351 million worth of water entitlements in the Southern Basin. The Department is in the process of pursuing a number of other purchases. When these purchases from the 2008-09 tenders have been contracted, further advice will be provided on the departmental website.
2. The table below provides a breakdown of these purchases by State and entitlement type for all catchments in the Southern Basin.

State	Entitlement Type	Value (\$ million)
NSW	High Security	0.9
NSW	General Security	143
NSW	Supplementary	4.5
VIC	High Reliability	198
VIC	Low Reliability	1.5
SA	High Security	3.5

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

3. Exchanged contracts are in place for the purchase of 256,230 ML of water entitlements.
4. The table below provides a breakdown of volumes by State and entitlement types.

State	Entitlement Type	Volume of exchanged purchases (ML)
NSW	High Security	390
NSW	General Security	141,193
NSW	Supplementary	20,820
VIC	High Reliability	84,608
Vic	Low Reliability	7,747
SA	High Security	1,472

5. The Department does not hold the data requested. However, the long term average water yield expected from the different water entitlements purchased through the 2008-09 tender is available from the Department's website.
6. The total volume of water entitlements under contracts exchanged from all tenders in 2008-09 is 408,028 ML. The actual volume of water which would have been available under 2008-09 allocations for these entitlements is 40,686 ML.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	160
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Managed Investment Schemes		
Hansard Page ECA:	Written Question on Notice		

Senator SIEWERT asked:

1. Has the Government bought any water entitlements from any Managed Investment Schemes?
2. If so, how much?

Answers:

1. It is not possible to answer this question as the tender assessment process does not require tenderers to disclose full details of their company structure or financial arrangements.
2. Not applicable.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	161
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Water licences – food prices		
Hansard Page ECA:	Written Question on Notice		

Senator WILLIAMS asked:

What modelling has been done to determine if and by how much food prices will rise once less water is available for use on agricultural land?

Answer/s:

No modelling has been done by the Department of the Environment, Water, Heritage and the Arts (DEWHA) to consider the impact of reduced water availability on food prices. Food prices are influenced by a range of factors, including the current drought and increased food prices globally.

By investing \$5.8 billion in more efficient irrigation, the Government is helping farming communities remain productive and deal with less water being available as a result of climate change. This is an investment in our capacity to continue producing food into the future with benefits for domestic and global food security.

DEWHA has commissioned the Australian Bureau of Agricultural and Resource Economics (ABARE) to assess the impact of the water purchase program on the water market, and regional economies and communities. The study aims to consider the potential impacts of water entitlement purchasing in the context of other pressures facing rural communities, such as drought.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	162
Program:	4.1		
Division/Agency:	Water Reform Division		
Topic:	Water Reform Funding – Structural Adjustment		
Hansard Page ECA:	Written Question on Notice		

Senator WILLIAMS asked:

In regard to the remaining \$5.8 billion of budgeted water reform funds, is there any plan for structural adjustment assistance to help irrigators and their communities adjust to the changes caused by the further removal of productive agricultural water?

Answer:

The Government's Water for the Future program is about structural adjustment assistance to help communities make the adjustment to a future with less available water. In the Murray-Darling Basin in particular, the Government has committed \$3.1 billion to purchase water in the market and a substantial portion of the Government's \$5.8 billion infrastructure program will be used to invest in more efficient irrigation infrastructure, both on and off-farm.

The driver for these activities is not the 'removal of productive agricultural water', but rather the successive years of drought being experienced, and the fact that historic levels of water availability are no longer a reality.

The Government's actions will return water to the environment and help entitlement holders "bridge the gap" between the current Basin cap and the new sustainable diversion limit that will be set in the Basin Plan. Without these actions, the impact of the new limit would be borne solely by entitlement holders through reductions to their water entitlements.

In addition to reducing the impact of the new sustainable diversion limit expected in the Basin Plan, the Government has recently announced the \$200 million Strengthening Basin Communities program. This will assist local governments in the Basin to plan for a future with less water, and to invest in local water saving initiatives.

Also, the Government is working with Basin stakeholders to look at ways of reducing evaporation losses from the Basin, rivers and lakes, for example through a project that is proposing significant changes to the management of Menindee Lakes, with potential to generate up to 200 Gigalitres in water efficiency savings.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	163
Program:	4.1		
Division/Agency:	Water Reform Division		
Topic:	Adelaide water supply – in-system losses		
Hansard Page ECA:	Written Question on Notice		

Senator WILLIAMS asked:

Will the Government focus on the huge in-system losses re the water supply to Adelaide from Lake Victoria, Menindee Lakes and Lakes Albert and Alexandria as priority over the removal of productive agricultural water?

Answer:

Investing in irrigation efficiency and minimising losses in the lower Murray-Darling system, as well as purchase of water entitlements, are part of an integrated suite of measures under the \$12.9 billion Water for the Future plan to assist with the transition to the sustainable cap on extraction to be established in the Basin Plan being prepared by the Murray-Darling Basin Authority (MDBA).

In particular, the Government is working with Basin States and industry on a number of measures to improve water use efficiency and reduce system losses in the southern Murray-Darling Basin, including:

- Basin state priority projects, which include private irrigation projects, aimed at improving irrigation water efficiency both on and off farm;
- up to \$400 million to reconfigure Menindee Lakes, with possible savings of up to 200 Gigalitres;
- development of the Wimmera Mallee pipeline;
- an additional \$300 million for the southern Basin on-farm water use efficiency program; and
- the recently announced \$200 million Strengthening Basin Communities program that will assist local government to plan and prepare for a future with less water.

In response to the current extreme drought conditions, the MDBA has been working with partner governments, to adjust operations of the Murray and its tributaries to reduce river transmission and evaporative losses. For example the Murray has been operated at levels below normal minimum levels in order to minimise evaporative loss from Lake Victoria, and significant volumes of water traded from the Murrumbidgee have been delivered via the Snowy Mountains Hydro Electric Scheme to minimise transmission loss.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

The Authority is also working on further options for reducing system losses, for example in the operation and management of Menindee Lakes, lower Darling River and Great Anabranh of the Darling River.

It is important to recognise that agricultural use of water is not the only driver for river management. For example, the Lower Lakes in South Australia are part of a wetland complex that is recognised internationally under the Ramsar Convention for their significance as a wetland habitat. For this reason, there are likely to be limitations on proposals to reduce system losses. It is also worth noting that many of the water efficiency savings obtained through the Government's programs will be shared between the environment and water users.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	164
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Water Buybacks		
Hansard Page ECA:	Written Question on Notice		

Senator Williams asked:

Will the Government place a premium for on-farm efficiency gains over water buy-backs?

Answers:

The Government will consider investment proposals to improve the efficiency of on-farm water use on the basis of value for money. The assessment of value for money will weigh up the cost of the proposed project relative to the expected contribution to the four objectives of the Water for the Future Plan, namely supporting healthy rivers, using water wisely, securing water supplies and taking action on climate change.

By comparison, value for money assessments done under the Government's water buyback program focus specifically on the cost of water entitlements and the extent to which they can be used to support healthy rivers and wetlands.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome: 4 **Question No:** 165
Program: 4.1
Division/Agency: Water Efficiency Division
Topic: Water Buybacks - tenders
Hansard Page ECA: Written Question on Notice

Senator Williams asked:

The following questions to be asked for the following catchments –
CONDAMINE BALONNE, MACINTYRE RIVER, BARWON DARLING, GWYDIR,
MACQUARIE, NAMOI

1. What water was tendered in the first round of buybacks?
2. At what price?
3. With the current round of tenders who will decide which to accept?
4. Is the Government deliberately taking advantage of current financial stress by forcing people to accept lower prices?
5. Are you trying to force the price down?
6. What would be considered a reasonable price per megalitre for high security allocations?
7. What would be considered a reasonable price per megalitre for water harvesting/high flow entitlements?

Answers:

1. A total volume of 389.8 GL in sell offers was received from willing sellers for the sale of water entitlements from the catchments listed above in the first round of Northern Basin tenders, which was open from 15 September to 19 December 2008. The table below provides a breakdown for each catchment.

Catchments	Volume of Water Offered by Sellers (ML)	Contracts exchanged, including those already settled (ML)
Barwon-Darling	50,842	14,603
Condamine-Balonne	160,428	0
Gwydir	83,796	67,662
Macintyre	422	n/a*
Macquarie	83,947	46,331
Namoi	10,389	4,805
Total	389,824	133,401

*The Department does not report catchment level information where there are less than 5 sellers. This is necessary to protect the privacy of the individuals involved in the trades.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

2. The price of entitlements varies between catchments and between entitlement types within catchments. The table below provides average offer prices from sellers by catchment and entitlement type. Not all of these offers were accepted by DEWHA.

Catchment	Security Type/Level	Average Price Offered by Sellers (\$/ML)
Barwon-Darling	Unregulated B Class	\$2,288
	Unregulated C Class	\$717
	All entitlement types	\$1,451
Condamine-Balonne	Supplemented Medium Priority	\$2,760
	Unsupplemented	\$2,457
	All entitlement types	\$2,429
Gwydir	Regulated General Security	\$2,265
	Regulated Supplementary	\$1,090
	Unregulated	\$640
	All entitlement types	\$1,652
MacIntyre	Unregulated	\$2,050
	All entitlement types	\$2,050
Macquarie	Regulated General Security	\$1,308
	Regulated Supplementary	\$260
	Unregulated	\$659
	All entitlement types	\$1,085
Namoi	Regulated General Security	\$2,078
	Regulated Supplementary	\$1,000
	Unregulated	\$1,850
	All entitlement types	\$1,925

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

3. The Department assesses sell offers against the published evaluation criteria for the Restoring the Balance program.
4. No. All offers for the sale of water entitlements are from willing sellers. The price paid by the Department is set for the different catchments and entitlement types with reference to prevailing market prices and is based on independent market analysis. If the seller's offer price is at, or below the Department's price and meets the environmental and capacity to deliver criteria, the Department will advise the seller of an intention to pursue the offer. No binding legal relationship exists with the seller until contracts are signed and exchanged. The seller, therefore, has ample opportunity to reconsider or withdraw their offer should their circumstances change.
5. No. Prices are based on independent advice received by the Department, including quarterly reports on market prices across all catchments. A quarterly summary of market prices is published on the Department's web site.
- 6-7. A summary of publicly available water entitlement price information may be found on the Department's website at <http://www.environment.gov.au/water/policy-programs/entitlement-purchasing/pubs/market-prices-mar09.pdf>.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	166
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Water Buybacks – rejected tenders		
Hansard Page ECA:	Written Question on Notice		

Senator Williams asked:

The following questions to be asked for the following catchments –
CONDAMINE BALONNE, MACINTYRE RIVER, BARWON DARLING, GWYDIR,
MACQUARIE, NAMOI

1. How many tenders were rejected?
2. What were the reasons for rejection?
3. How does reliability of water supply affect prices, for example in this river with 100% reliability is the price being offered here higher than for other rivers?
4. What are the implications for holders of the water entitlements who have had tenders rejected?
5. Have all of them been notified?
6. Have water entitlement holders who have had tenders rejected been advised to submit a new tender?
7. Have they been advised of a price guideline?

Answers:

For the following catchments –
CONDAMINE BALONNE, MACINTYRE RIVER, BARWON DARLING, GWYDIR,
MACQUARIE, NAMOI

1. A total of 125 tenders were not accepted. **Attachment A** provides a breakdown by catchment.
2. Sell offers are rejected when they do not meet one or more of the evaluation criteria. In assessing value for money, the Department may also decide that the administrative costs, including conveyancing outweigh the value in meeting the objectives of the program. For this reason, as stated in the program guidelines, high security entitlements of less than 10 ML and all other entitlements where the total value of the offer is less than \$20,000, will not be accepted.
3. The expected reliability of a water access entitlement is a key factor that affects its market price. A range of other factors may also influence water entitlement prices within a region such as the ability to carry-over water into subsequent irrigation seasons and the water entitlement owners' expected returns on invested capital.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

The Department considers sell offers with reference to prevailing market prices, which reflects the expected reliability of the water entitlements offered for sale, amongst other factors. The Department also takes into account the estimated long term reliability of a water entitlement as part of its overall considerations.

4. Applicants whose tenders have been rejected on price are able to resubmit their offer at a new price.
 - Those whose applications were rejected because of uncertainty about the volume available under the licence, such as entitlements in NSW unregulated rivers with no water sharing plan, were advised to consider resubmitting in a future round once a water sharing plan was in place.
 - Those whose entitlements are assessed as not having the potential to provide an environmental benefit or having an uncertain capacity to deliver are advised that these are not considered value for money in comparison to other offers.
5. Most applicants have been notified of the outcome of their sell offer within 10 - 15 working days of lodgement.

A small number of sell offers are deferred pending further information. In the majority of these cases the applicants have been regularly updated on the ongoing delays in finalising their assessments.

6. Yes, as noted in part 4 above.
7. As the Restoring the Balance program is currently operating as an Australian Government tender process, the Department is not able to provide specific pricing information. Instead applicants have been referred to the summary of market prices contained in quarterly market reports published on the Department's website and to recent sales listed on State water registers.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Attachment A

Question on Notice No.166 – Details of response to parts 1 and 2.

Catchment	No. of Tenders Rejected	Reason for Rejection
Barwon-Darling	10	Not Value for Money - Price too high
	2	Not Value for Money - Uncertain reliability
<i>Total</i>	<i>12</i>	
Condamine-Balonne	1	Not Value for Money - Environmental benefit insufficient
	54	Not Value for Money - Price too high
	1	Not Value for Money - Uncertain reliability
	1	Not Value for Money - Volume too small
	1	Not Value for Money - Water not deliverable
<i>Total</i>	<i>58</i>	
Gwydir	2	Not Value for Money - Environmental benefit insufficient
	1	Not Value for Money - Price too high
<i>Total</i>	<i>3</i>	
MacIntyre River	4	Not Value for Money - Environmental benefit insufficient
	1	Not Value for Money - Uncertain reliability
	1	Not Value for Money - Water not deliverable
<i>Total</i>	<i>6</i>	
Macquarie	4	Not Value for Money - Environmental benefit insufficient
	18	Not Value for Money - Price too high
	2	Not Value for Money - Uncertain reliability
	2	Not Value for Money - Volume too small
	1	Not Value for Money - Water not deliverable
<i>Total</i>	<i>27</i>	
Namoi	3	Not Value for Money - Environmental benefit insufficient
	12	Not Value for Money - Price too high
	4	Not Value for Money - Uncertain reliability
<i>Total</i>	<i>19</i>	

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome: 4 **Question No:** 167
Program: 4.1
Division/Agency: Water Efficiency Division
Topic: Water purchase - Twynam
Hansard Page ECA: Written Question on Notice

Senator BIRMINGHAM asked:

With regard to the purchase of water licences from Twynam Agricultural Group, what was the allocation made against each entitlement purchased for each of the last 10 years?

Answer:

The data for allocations made against Twynam entitlements over the past 10 years is not available.

However, from the long term average allocation against the entitlements bought from Twynam, the Commonwealth can expect to receive an average yield of 107 GL of water for the environment each year.

From data available, the allocations for the past four years are:

Catchment	Type	Entitlement	Allocation 2005-06 (ML)	Allocation 2006-07 (ML)	Allocation 2007-08 (ML)	Allocation 2008-09 (ML)	Average Allocation (ML)	Long Term Ave Allocation (ML)
Barwon-Darling	Unregulated	14,603	n/a	n/a	n/a	n/a	n/a	n/a
Gwydir	Regulated	63,456.2	10,303.1	0.0	11,438.9	0.0	5,435.5	20,069.1
Lachlan	Regulated	52,283.0	9,933.8	0.0	0.0	0.0	2,483.4	21,958.9
Macquarie & Cudgegong	Regulated	41,002.4	17,210.2	0.0	1,955.7	3,911.4	5,769.3	16,824.4
Murrumbidgee	Regulated	68,426.0	25,707.2	4,760.6	6,188.8	9,997.3	11,663.5	33,382.6
TOTAL	Unreg+ Reg	239,770.6	63,154.2	4,760.6	19,583.4	13,908.7	25,351.7	106,838.1

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	168
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Water purchases - entitlements		
Hansard Page ECA:	Written Question on Notice		

Senator BIRMINGHAM asked:

1. How much has the Government spent purchasing water entitlements in the past 12 months?
2. How much is allocated to be spent, and what are the targeted water savings, for the next 12 months and for each year of the forward estimates?
3. How have these figures varied as a result of any agreements between the Government and Senator Xenophon?

Answers:

1. The Australian Government has secured purchases of water entitlements in the 2008-09 tender of 408 GL, worth \$613 million (as at 30 June 2009).
2. Funding for the Restoring the Balance in the Murray-Darling Basin (RtB) program is:
 - 2009-10 = \$464 million
 - 2010-11 = \$509.6 million
 - 2011-12 = \$445.1 million
 - 2012-13 = \$506.8 million

Environmental water recovery targets for the RtB program have not yet been set. In the medium term, water purchases will be guided by the difference between current levels of use and sustainable diversion limits, which are expected to be established in 2011. In the interim purchases under the RtB program are being guided by the best scientific information available on environmental needs such as the CSIRO Sustainable yields project and the Murray-Darling Basin Commission's Sustainable Rivers Audit.

3. As part of the Australian Government's economic stimulus package \$500 million over four financial years (starting in 2008-09) was brought forward from years outside the forward estimates. Of this, \$250 million has been allocated to 2008-09, \$100 million to 2009-10, \$50 million to 2010-11 and \$100 million to 2011-12. These bring-forward amounts are included in the program budget figures provided in part two above.

**Senate Standing Committee on Environment, Communications and The Arts
Legislation Committee**

Answers to questions on notice

Environment, Water, Heritage and the Arts portfolio

Budget Estimates, May 2009

Outcome:	4	Question No:	169
Program:	4.1		
Division/Agency:	Water Efficiency Division		
Topic:	Water tenders		
Hansard Page ECA:	Written Question on Notice		

Senator BIRMINGHAM asked:

1. What is the delay, by state, between acceptance by the Government of a tender and completion of the transfer?
2. Of the 2008-09 accepted tenders, what value (by dollars and megalitres) failed due diligence and were not settled? What were the reasons?

Answers:

1. There are currently some trades being pursued in all Basin states that have not been settled as at 30 June 2009. Information about New South Wales and Victoria, where specific trade restrictions are impeding settlement, is given below.

For New South Wales, trade times have recently been affected by the NSW embargo on environmental water purchases. Trades that were completed before the embargo was announced on 29 May 2009 took an average of 15 weeks between acceptance of the offer by the Australian Government and settlement of the trade.

In Victoria, trades which are not delayed by the operation of the four per cent limit on out-of-region trade are completed to settlement on average within 16 weeks of acceptance of an offer.

2. As at 30 June 2009, six trades had failed due diligence. Due to the commercial in-confidence nature of the tender process, we are not able to release the amounts involved in the trades. Offers fail due diligence for a number of reasons, most commonly, incorrect information on application forms. If this is the case then sellers are requested to submit the correct information or confirm changes.