

CORRECTED VERSION

STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION

Inquiry into the business case for water infrastructure

Shepparton — 21 August 2009

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Witness

Mr P. Pearce, chief executive officer, City of Greater Shepparton.

The CHAIR — I declare open the Legislative Council Standing Committee on Finance and Public Administration. Today's hearing is in relation to the business case for water infrastructure. All evidence taken at the hearing today is taken pursuant to the Constitution Act 1975 and the Legislative Council standing orders and is protected from judicial review. Any comments made outside the precinct of the hearing are not protected under parliamentary privilege. On behalf of the committee, I would like to thank the City of Greater Shepparton for accommodating us here this afternoon. We have had an interesting two days touring some of the water infrastructure developments in Victoria — the north-south pipeline yesterday and some of the irrigation upgrades this morning.

I would also like to welcome and acknowledge Mrs Jeanette Powell, the member for Shepparton. On the committee today we have a number of substituted members as well as standing members from the local area.

Our first witness this afternoon is Mr Phil Pearce, the chief executive officer of the City of Greater Shepparton. Welcome, Mr Pearce. Would you like to make an opening statement before the committee proceeds?

Mr PEARCE — I would. I tabled a submission which I would like to read so that it is on the record, and I will do so now. I will start by saying welcome to Shepparton. It is extremely pleasing that the committee is visiting the region to see and hear firsthand the challenges faced by irrigation communities.

A combination of extended drought and the threat of climate change has focused the attention of the whole community on water issues. Whilst the threats to irrigation posed by low water availability have created difficult conditions for many farm businesses, these conditions have also prompted governments to invest heavily in better water management and improved infrastructure, creating a once-in-a-lifetime opportunity to upgrade the irrigation systems in the Goulburn-Murray irrigation district.

The current policy position as we interpret it — and this is the global policy position rather than a council policy position — in relation to water can best be summarised as follows. Water is recognised as a scarce, finite resource, and better management of water is a regional, state and national priority. Water trading will allow water to be reallocated from existing uses to new uses. Governments are committed to improving water trading to allow water to move from lower value to higher value uses, and barriers to trade are being removed. Efficient use of water is vital, and governments and water corporations are making substantial investments in more efficient water infrastructure. Return of water to the environment is essential to protect the health of our river systems and water supply catchments.

Accordingly, the council's submission will focus on the significance of upgrading water infrastructure for the Goulburn Valley irrigation district to ensure the region remains competitive and a powerhouse in the agricultural economy of the state and the nation.

I will now provide an overview of the City of Greater Shepparton. Greater Shepparton is in the heart of the Goulburn Valley and covers an area of more than 2420 square kilometres. It is the fourth largest provincial centre in Victoria. The major urban centre of Shepparton is located at the confluence of the Goulburn and Broken rivers and at the intersection of the Goulburn Valley and Midland highways. Greater Shepparton has a population of around 60 000, of which 77 per cent is concentrated in the main urban centres of Shepparton and Mooropna. The balance of the population resides in the townships of Tatura, Murchison, Dookie, Merrigum, Congupna, Toolamba, Katandra and Tallygaroopna, and in the surrounding rural areas.

By 2026 Greater Shepparton is projected to have a total resident population of approximately 71 000. This represents a net increase of about 10 000 people from 2009 to 2026, and an average increase of 0.9 per cent per annum.

Agriculture is the largest industry, with over 11 000 people employed. The economy is largely driven by agriculture and related activity. Irrigated agriculture generates \$9 billion in production annually and \$1.53 billion in exports. The Goulburn Valley is known as the food bowl of Australia and produces 25 per cent of Victoria's agricultural produce. Dairying and fruit growing are the major primary industries with significant growth in the viticulture and tomato industries.

The Goulburn-Murray irrigation district produces approximately 26 per cent of Australia's milk production, which is sold as fresh milk or value added in the form of butter, cheese, yoghurt and dried milk products.

There is a growing trend within the region to provide value-added manufacturing services to support primary production. Major food manufacturing companies include SPC Ardmona, Unilever, Tatura Milk, Riverland Oilseeds, Bega Cheese, Murray Goulburn, Fonterra, Visy, Campbell's Soup and Furphys. Over the past seven years there has been significant growth in the food industries with over \$665 million in new investment and the creation of over 1650 jobs.

Many other sectors in the Goulburn-Murray irrigation district region's economy are dependent upon agricultural and food production, including stockfeed, fertiliser, chemicals, agricultural machinery and processing equipment, packaging, transport and logistics.

Before I proceed further, I thought it pertinent to outline council's position in relation to the food bowl modernisation project, which was resolved at a special council meeting on 22 October 2007, and I quote:

Support the government's proposed modernisation of the Goulburn Murray irrigation infrastructure and acknowledges that the Sugarloaf interconnector pipeline is part of the state government's Goulburn-Murray irrigation district upgrade project plan. The council shares the community concern in respect of water leaving the Goulburn Valley via pipelines to Melbourne and Bendigo and by water trading. The council is still of the view that savings should be achieved before the Sugarloaf interconnector is commissioned.

The modernisation is aimed at creating an efficient, world-class irrigation delivery system offering high levels of service at prices that are affordable to irrigators. In turn, this will support existing improved efficiency and viability for existing irrigation businesses and attract new developments and economic activity to the area.

Irrigated agriculture is facing significant challenges, and it will be different in the future as the industry adapts to reduced water availability and changing world markets. Some areas that are currently irrigated will not be in the future and will revert to dryland agriculture. However, most industry experts agree that there is an important future for irrigation in northern Victoria.

For Greater Shepparton, the key drivers are as follows. Farmers will need to continue to become more efficient and gain higher production from their water. Most industry commentators suggest that this will see a continued trend towards larger, more diversified farm businesses. The Shepparton region is well placed in relation to these challenges, with high-quality soils suited to a wide range of irrigation enterprises. The Shepparton region is also likely to see lower percentage water reductions due to climate change than catchments further to the west, and much of the region has access to usable groundwater to supplement surface water resources, providing a measure of resilience.

Government is investing \$2 billion to upgrade the irrigation system into an efficient, world-class supply system. One of the objectives of this investment is to provide certainty for irrigation development and investments for the future. The massive expenditure on infrastructure is already showing significant economic benefits for Greater Shepparton, and council encourages and supports the development of industries that will be involved in the construction, management and ongoing maintenance of these new irrigation systems.

The production from irrigated agriculture results from the application of irrigation water to land. Whilst water policy is being shaped at a state and national level, land-use planning is an area where local government can have a very important role. Governments are investing heavily in upgrading irrigation supply infrastructure to provide certainty and confidence for the industry. Local government can help protect the value of this investment and thereby maximise the likely future contribution to the regional economy from agriculture by adopting rural land planning measures that facilitate the development of viable farming enterprises. This includes measures like: supporting the growth and consolidation of existing farms into larger, more viable enterprises; avoiding fragmentation of rural land through inappropriate subdivision and housing development; and ensuring that land uses are compatible with the existing agricultural activities that are undertaken in the region.

Council had been considering the implementation of a regional land-use strategy that will facilitate these outcomes. Adoption of such a strategy — whether it be that or another form of that strategy — would provide certainty for the community and potential developers in relation to council's directions for rural land-use planning, and will strongly align with and support government policy in relation to the future agricultural activities across the region.

Council is also making application to the Department of the Environment, Water, Heritage and the Arts for a grant from the Strengthening Basin Communities project. As stated previously, the region is highly exposed to the impacts of climate change and reductions in water availability as these will impact both directly on primary production and also the major food processing sector with flow on to all sections of the broader economy.

The funding assistance will enable council to systematically assess the risks and implications associated with climate change, with a particular focus on water availability, and then review existing plans to account for these risks and implications. There are reams of climate modelling and research available and the major focus of this exercise will be to translate this research into practical tools and plans at a regional and local level.

Importantly, establishing a clear strategy direction will also empower council staff to engage effectively and take consistent, proactive positions when negotiating with organisations such as NVIRP and Goulburn-Murray Water in relation to the wide range of issues affecting local government that are involved with the major restructuring of the irrigation system that is currently taking place.

I have provided the committee with a copy of that application to the federal government. It is really saying that there is a lot of research out there at this stage. What we need to do is pool all of that research into a consolidated form, look at where we want our economy to be in 50 years and where agriculture will fit with that, and then have the appropriate steps in place to protect the rural area to enable that vision to come through. Thank you, chair.

The CHAIR — Thank you, Mr Pearce. I restate the committee's appreciation to the City of Greater Shepparton for its hospitality this afternoon. We appreciate hearing the municipality's views on the irrigation upgrade that is taking place. We have a short period of time available for questions, if committee members have any questions for Mr Pearce on behalf of the municipality.

Mr DRUM — In relation to the City of Greater Shepparton's position on water leaving the valley, you were saying that the savings should be achieved first before we have any water go. Do you or the council have any concern about the auditing process that will be undertaken by the government to effectively determine how much water has been saved versus how much water has not been saved?

Mr PEARCE — I cannot give you a direct answer to that because I am not quite sure of what the government's intentions are. However, certainly council would expect it to be a transparent process, and independently check so as there is accountability in the process.

Mr DRUM — So if the independent auditing process that is going to be set up effectively had its hands tied, for want of a better word, or if you had concerns that the auditing process was not aboveboard and was not totally transparent, not totally independent, and had to work through, for instance, a technical model that in itself was flawed, would the city then take a position of objection?

Mr PEARCE — I think that is asking too much of me. I think that we would have a look at the process and then we would make a determination once we knew what the processes was, rather than answering a hypothetical question.

Mr DRUM — Sure.

Ms BROAD — Thank you for the presentation. In the statement you have made and the submission you have provided to us there is a focus on the significance of upgrading infrastructure for the district in terms of ensuring the ongoing competitiveness of the agricultural economy, particularly in this region, and there is reference to the \$2 billion the government is investing in that upgrade. Can you give us some further indication of what direct impacts you think the investment that has occurred to date, and is going to continue for some time to come, is having on the local economy and the regional economy in the area covered by the Goulburn Valley irrigation district that you have referred to in this statement?

Mr PEARCE — Again, I cannot give you a precise answer. The anecdotal evidence is that there is significant work happening in the rural area at this point in time with the upgrade, which is injecting dollars into the economy. I could not tell you what they were; there are better organisations that will be able to give you those figures, and you will probably speak with those later today. Looking to the future, though, I think what we

need to do is ensure that the Shepparton region remains competitive by world standard, and so therefore anything that is done to improve the way we can undertake agriculture is of benefit to the community.

Ms LOVELL — As part of the savings, we have heard that savings will be made through re-metering and that farmers were getting over allocations onto farm before. That water, which of course was being used for production before, will no longer be available for production. Has the council done any studies on what the impact on the local economy will be from that loss of water to agricultural production, not just in the immediate term but in the long-term future?

Mr PEARCE — I cannot answer that; I have not been here long enough. But what I will do is go back and ask the question of my staff, and if we have done any such modelling, then I will get it to the committee for their information.

Mr BARBER — What are your council valuations telling you about what is going on with these irrigation farms? You have said that larger and diversified farms were inevitable, but is that what your valuation information is showing you?

Mr PEARCE — Again I apologise; I have been here two months and I cannot give you an answer to that. Again, I can get you some information and I will table that, or send that to the committee, just in relation to what have been valuation trends over, say, the past three to five years on rural properties.

Mr BARBER — Is Goulburn-Murray Water's infrastructure rateable?

Mr PEARCE — I would suspect not, but I will clarify that.

Mr TEE — We have had the opportunity of spending the last day and a half having a look at the investment and, I suppose, seeing the transformation from a clapped-out leaking system into what will be a world-class system. Is your sense of it that with the additional savings and the innovations, those innovations will come through both in farming techniques but also in the generation of new businesses to the region?

Mr PEARCE — Certainly that would be our expectation. And part of the work that we are looking for, that the federal government money could do, is to try to clarify as to where those emerging agricultural markets or businesses might come from, and where there are new opportunities that may not have been explored in the past, to add value to what we are already doing in the region.

The CHAIR — Thank you, Mr Pearce. The committee appreciates your efforts this afternoon in setting out the city's position on the projects, and your hospitality. It was remiss of me to not note beforehand that proceedings are being recorded by Hansard staff and we will have a proof version of the transcript to you in the next couple of days for any corrections you wish to make.

Mr PEARCE — Terrific.

The CHAIR — Thank you very much again on behalf of the committee.

Witness withdrew.