STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION

Inquiry into the business case for water infrastructure

Melbourne — 19 November 2009

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Ms C. Broad
Mr M. Guy
Mr P. Hall

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Witnesses

Mr B. Bassed,
Professor D. Constable, and
Mr G. Gordon.
The CHAIR — All evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of Legislative Council standing orders. Any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence is being recorded by Hansard, and witnesses will be provided with a proof version of the transcript in the next couple of days for any corrections. I now invite you, gentlemen, to make an opening statement.

Prof. CONSTABLE — Thank you, Mr Chairman. By degree of some seniority in years, I have claimed the right to speak first. I should say that we all have a common interest, as ex-officers of the water authorities, but it is a rather informal connection and these submissions are virtually independent submissions. I must apologise for my voice, I have got a re-run of a virus that seems to be going about. I would like to speak just briefly to the submission that I previously made.

Over the past 130 years all development proposals in northern Victoria have had parliamentary approval, having regard to the recommendations of successive parliamentary public works committees. Since 1945, 16 such committee reports have been made which prescribe the extent of additional storage development and the associated authorisation of water entitlements for extractive water use for urban, industrial and irrigation requirements. For the first time in Victoria’s history, recent decisions with far-reaching consequences have been made without any such open inquiry.

The generally accepted scientific analysis is that, in the future, rainfall and river flows will be significantly reduced below those generally experienced in the past. The historical records will not be a reliable basis for future decisions on water availability.

Our concern is that current decisions of the Victorian, and indeed the commonwealth, government have been made in ignorance of the impact of reduced future river flows on the security of existing water allocations in northern Victoria, in particular to those areas supplied from the Goulburn River. There has been a prevailing view that the Goulburn system can be milked of water resources by transfers out of the Goulburn-Murray irrigation district and by diversion out of the catchment. Our analysis will demonstrate that it is a very dry cow. That concern has been eased slightly by a recent announcement by the commonwealth authority that it remains a high priority need to define the security attaching to water rights.

In Victoria that definition has been established during the previous inquiries. The outcome of the 1975 inquiry was that no further allocations for irrigation in Victoria would be made and that Victoria’s share of the additional resources to be created by the Dartmouth storage would be utilised to restore the security of existing allocations.

The security objective that has been adopted for operation of the system is for the delivery of 100 per cent of water rights in the worst year of the most severe recorded drought, this period being referred to as the ‘critical period’. The recorded flows in the years 1895 to 1905 have been identified as the critical period for the operation of Eildon Reservoir, and that provides the benchmark against which the operational policies have been developed.

The attachment on page 13 to my submission dated 28 June has compared the storage inflows to Eildon in the design critical period with performance during the current and as yet unfinished drought. It shows that in five of the last eight years the allocation has not exceeded 57 per cent and that in two of those years it has been below 35 per cent. The comparison indicates that the current drought represents a new critical period, another very inconvenient truth from which we have drawn the following conclusions.

Firstly, the average annual inflow deficiency in any repeat of the current drought would be of the order of 400 GLs, or greater if the optimistic forecasts of water savings by the modernisation of the system are not achieved. The nomination of the volume of 225 GLs of modernisation water savings is highly speculative and remains unaudited.

Secondly, a very substantial reduction of the order of at least 30 per cent in irrigation demand is necessary to restore the traditional level of security of the system. This can only be achieved by a buyback of existing entitlements. The further transfer of high priority allocations out of the GMID will not resolve the resource deficit problem. Such transfers do not decrease the demand on available storage resources.
The scale of such a buyback, resulting in the reversion of former irrigated land to dryland agriculture, would require it to be specifically targeted, with the aim of producing a reconfigured distribution system supplying the most productive land in the most efficient manner and would involve consequential reconstruction of the region’s rural economy.

On the question of diversions to the north–south pipeline, delivery of 100 per cent of entitlement within the GMID will not be possible until either the drought breaks or the buyback program has progressed to the stage to provide a similar outcome. Until either one of these circumstances occurs it is difficult to see how a responsible minister could authorise entitlements for this diversion. We believe the Parliament has an obligation to continue to disallow the order in council authorising these diversions until decisions have been made on measures to restore the level of security attaching to the residual water entitlements.

The foregoing analysis is indicative only, and we believe that a further rigorous inquiry by an appropriate parliamentary committee is necessary as part of the decision-making process.

Finally, Mr Chairman, some comments on the introduction of a national water market. In my submission I expressed some reservations about the introduction of a national water market. To date there has been no wide-ranging inquiry to confirm the desirability, suitability, practicality or effectiveness of such a market given the nature of Australia’s water resources.

When former Premier Bracks expressed some reservations in respect of Prime Minister Howard’s proposition to take over responsibility for water resources management, I wrote to him to congratulate him on his cautious approach to that proposition. Particularly, Mr Bracks pointed to the intimate relationship between land and water resources in Victoria’s development. Secondly, he questioned the wisdom of surrendering future allocation and any reallocation processes to some new authority and to a water market without specification of the limits and sources of those reallocations, and to the regulations for the operation of the market.

Alfred Deakin, in framing the provisions of the Victorian Water Act over a hundred years ago, after reviewing arrangements internationally, came to the right conclusion, I believe: that the right to the control and use of water resources should rest with the state, representing the community as a whole.

I believe that the suggested model for water management control to be concentrated at the federal level is totally simplistic. It is indeed a new fact of life born of the experience of river flows during the current extended drought that it is vital to review the extent to which water extractive allocations can be sustained. The proposed reliance on a water market to move to sustainable levels of those extractive entitlements is to ignore the complexities involved in managing the social, economic and environmental consequences of such changes, and it is made more difficult by the historical and different arrangements in each state. However, there is a place for market forces to operate within the irrigation sector once the necessary readjustments to sector extractive entitlements have been made.

A final comment: to talk of water security and drought proofing does not match the realities of Australia’s inland waterways. The increasing urbanisation of the Australian population, clustered around the coastal fringes, further exacerbates the danger of fundamentally misconstruing the problem and the potential. Unless there is an intervention of the order we have suggested we could have a re-run of the 1905 scenario: that irrigation fails because of lack of headrace resources and the inability of irrigators to meet the operating costs.

Thank you.

The CHAIR — Thank you, Professor Constable. Mr Gordon and Mr Bassed, do you wish to add anything?

MR GORDON — Thank you, Mr Chairman. Mr Chairman and members of the committee, I thank you for inviting me to make a presentation.

Firstly, I will comment on submission no. 23. This submission was lodged by Mr Ian Brand, president of the Ex Officers Association of the State Rivers and Water Supply Commission. Mr Holding, the Minister for Water, addressed our monthly meeting on 30 September 2008. I asked the minister whether he would clarify the term ‘water savings’, and my question became attached to Mr Brand’s submission. My own submission is no. 10 and consists of three parts, which I am happy to answer questions on.
In considering the costs and benefits of the north–south pipeline the first question to be considered is: how much real water will be available to take to Melbourne and beyond? There is an immense volume of facts and opinions from the stakeholders on this question, and in the time available I can only touch on a few. I have put my talk to the stopwatch, and I will keep it as short as I can.

The CHAIR — Thank you, Mr Gordon.

Mr GORDON — I refer to modernisation water savings. ‘Modernisation water savings’ means the water gained as a result of a permanent reduction in system operating water. ‘System operating water’ is defined in the draft Northern Region Sustainable Water Strategy, and a copy is attached. System operating water cannot be accurately quantified, and therefore modernisation water savings cannot be determined. In terms of the accuracy of the standard Dethridge meter, I refer to the Rural Water Commission of Victoria drawing number 136 224, Standard Structures — Standard Large Dethridge Meter — Rating Graph, which are attached.

The plan notes that the graphs and table are the result of rating tests carried out at the Werribee hydraulic experimental station in December 1983 and refer to the standard large Dethridge meters, with Anthony bearings and standard clearances. The adopted volume per revolution is 0.821 cubic metres.

The plan shows that by varying the operating conditions the volume discharged per revolution can vary between 0.805 and 0.895 cubic metres, which represents a range of accuracy between 1.95 per cent overcharge and 9.01 per cent undercharge. This range of accuracy is for perfectly maintained meters. The accuracy decreases considerably when the meter is not properly maintained and where there are excessive clearances.

In terms of water savings protocol I refer to the document prepared by the Department of Sustainability and Environment titled Water Savings Protocol — Technical Manual for the Quantification of Water Savings. A copy of paragraph 5.5, which is headed ‘Dethridge meter error’, is attached.

The protocol further states:

Project proponents (that is, NVIRP) should adopt an average meter correction factor of 1.086

The meter correction factor is not a constant number as stated above but is a variable number depending on the operating conditions which are continually changing during the course of each irrigation and for every meter outlet.

Here we have the meter which was the standard meter for measuring irrigation water by the predecessor to the GMID and which has an inbuilt accuracy range of 1.95 per cent overcharge to 9.01 per cent undercharge and is now declared by the minister to be a reason why water should be taken from irrigators and allocated elsewhere.

The minister fails to realise that when Victoria signed the Council of Australian Government’s national water initiative, Victoria became committed to a meter improvement problem for which it was unprepared. Victoria should have obtained expert advice before it committed to such an ambitious program.

Also, Goulburn-Murray Water should have looked critically at its own procedures and taken appropriate action, such as listed in my previous submission number 10 of 8 July 2009. The attempt to quantify losses and then to use the assumption to take water from the irrigators is unfair.

The Water Act requires Goulburn-Murray Water to act as efficiently as possible, consistent with commercial practice, and that means that the corporation must properly maintain the water measuring apparatus.

When I was in charge of part of the present Goulburn-Murray irrigation district I instructed my staff and my organisation to fix or reduce the losses that the minister now maintains are measurable and quantifiable.

In terms of water savings to be audited, the function of an auditor is to examine records and certify that the records presented are true and correct. This applies to company finances, and in the former State Rivers and Water Supply Commission even applied to show that the water right was correctly processed and applied.

An auditor has been appointed to the GMID and is auditing the water savings achieved. The auditor must be studying the volume of water savings that are stated to have been achieved at the various sites and certify that
the volume stated does exist. I hope that the committee will inquire into the instructions that the auditor is required to adhere to.

Melbourne is to receive water from the Murray River Basin, and the Minister for Water has issued a statement of obligations on the Melbourne water retailers, which indicates that the minister proposes to issue a bulk entitlement for the supply of water from the Murray River Basin to the Melbourne retailers, and a copy of that statement is attached.

As mentioned in my question to the minister in submission no. 23, the ability to be able to transfer 75 gigalitres of Goulburn River water to Melbourne depends solely on the so-called water savings, being savings of real water — not a pencil entry on a piece of paper but actual water. I fail to see how water savings achieved in the Torrumbarry and Murray Valley irrigation districts and stored in the Murray storages can be transported up the Goulburn River to the pipeline pump station at Killingworth.

In relation to adopting the water savings protocol, in August 2008 Goulburn-Murray Water was advised of the results of the field testing of 53 Dethridge meters, which were tested for accuracy.

The accuracies reported were:

Within plus or minus 5 per cent of being accurate — 34 per cent.

Between 5 per cent and 10 per cent undercharge — 40 per cent.

Between 10 per cent and 15 per cent undercharge — 13 per cent.

Between 15 per cent and 20 per cent undercharge — 11 per cent.

Between 20 per cent and 25 per cent undercharge — 2 per cent.

The 34 per cent of the meters with an accuracy of plus or minus 5 per cent are sufficiently accurate and correct; but the taking of water down the north–south pipeline will reduce the pool of water available for allocation to these irrigators and will adversely affect their business. The 26 per cent of the irrigators with meters that are more than 8 per cent inaccurate will still receive water that they do not pay for and, further, that they are not entitled to receive.

The current proposal to take water from the Goulburn Valley irrigators is unfair and does not comply with the national water initiative to which Victoria is a signatory. Mr Chairman, I thank you.

The CHAIR — Thank you Mr Gordon. Mr Bassed, did you wish to add anything before we proceed to questions?

Mr BASSED — Yes, I would like to say a few words, if I may.

Thank you, Chair, and members of the standing committee. My name is Bruce Bassed, and I am a civil engineer with experience on major water projects who, for many years, has owned and operated irrigation properties in New South Wales and Victoria.

My position in appearing, together with Professor David Constable and George Gordon — who have spent their working lives designing, operating and managing irrigation districts in northern Victoria — is in realising that irrigators have been kept out of any government decision on the future of the GMID.

Irrigators have not had the opportunity for professional representation to match the management of DSE and GM Water in relation to technical decisions taken.

A political decision has been made by the Labor government not to build any more dams for urban and irrigation supply. The Labor government has decided to build a pipeline grid to transfer water to where it is needed most. Most of the urban water for this grid will be obtained on an ever-increasing scale from Lake Eildon. The DSE has concocted high losses and called them savings to transfer them out of the district. I will highlight the major points in my written submission and then proceed to question time.

The major saving will be gained by GM Water reducing the flow in the channels to run at design level. This does not require any expenditure on infrastructure, but the maintenance of channels will have to increase to
enable the design flow to get to the farms. The drop in efficiency since the late 1980s has generally been caused by channel attendants raising the water levels in the channels to maintain adequate flows. This has considerably increased the loss. The DSE average losses based on their 115-year long-term system modelling 2007 are wrong. The average diversions from this model are over 300 gigalitres higher than the actual diversions in the 1985 to 2007 period.

The total channel control trial on CG2 highlighted many of the problems caused by GM Water mismanagement of the system. The TCC was a disaster for irrigators, and the final report stated it was uneconomic. DSE altered the concept of the trial by saying all the water saved on the outfalls and the oversupply through the meters was saved water, and by transferring this saved water, out of the system, at an increased value, the implementation of the total channel control was shown to be economic.

Outfalls: originally the total channel control would virtually eliminate outfalls, and the DSE said this could all be transferred out of the system and the environment share would be used when and where to obtain the best advantage of running this water down the rivers. The DSE are now saying that the outfall which runs into low-lying areas and creeks which contain environmentally sensitive swamps and treed areas will now be watered from the system as required by the CMAs. This water will not be deducted from the environment share, but will be supplied from irrigators water rights.

Unauthorised loss, stealing water: this cannot be considered as a saving with modernisation.

Bank leakage and seepage: bank leakage will reduce dramatically if the channel level is reduced to run at the design level, so therefore the savings which can be transferred will be a small percentage compared to what the DSE have claimed. Seepage will be reduced marginally due to lower operating levels in the channels.

Evaporation: there will be no change to this loss, and it does not constitute a saving.

The Dethridge meter error: by reducing the water level to the design level, it will bring the meter within its design operational constraints, and if the meter is maintained at the correct clearance, it will measure within the standards required. This is an operational act not dependent upon modernisation, so the savings will stay with the irrigator. Some farmers have been able to water uncommanded ground because the channels are running higher than design. With the design levels adhered to, Goulburn-Murray Water will have to ensure that the correct head allowance is maintained in the farmer’s channel to avoid drowning the downstream toe of the Dethridge meter. We are now told the Dethridge meter has to be changed so that the inflows are measured automatically onto farms, as they require 70 per cent of the meters on any pool to measure the outflows, otherwise the automated system of the TCC will not work. Apparently the flume gates at either end of the pool cannot measure accurately enough, and this I think is a real problem that should be looked into.

Leakage through and around service points.: leakage through service points is nominated at 1.9 megalitres per service point per year. Every 10 000 service points equals 19 000 megalitres. This is mainly due to Goulburn-Murray Water not maintaining the seals on the inlet gates in good condition. Leakage around the service points is caused by lack of normal maintenance by Goulburn-Murray Water. These losses cannot be converted into savings and transferred out of the district, as lowering the channel levels to design plus the maintenance will eliminate the losses.

Unmetered use: this water is usually used through small pipes associated with stock and domestic supply. The volume is deemed by Goulburn-Murray Water, and if the total use is greater than the deemed supply, this level should be increased so there is no loss. DSE have stated that this loss through unmetered service point is to be calculated at 8 per cent meter error. This loss should not be transferred but deducted from irrigators’ water right.

System filling: this is an operational requirement, and the only loss is the water remaining in the channel at the end of the season. This cannot be saved, as it has nowhere to go.

In conclusion, I express my dismay that public servants no longer serve without fear or favour. DSE will take any issue to promote this project, even though the spin they put on it is not based on fact.

Another problem I have is that Goulburn-Murray senior management is mainly composed of professional engineers. They must realise the damage they are causing to irrigators but are prepared to prostitute themselves for a short-term political idea. Irrigators pay for the operation and replacement of the system. They should not
be called upon to carry out the cost of mistakes made by GM Water, government departments or contractors. In this respect there seems to be a difference in the original expectations for total channel control in the GMID and the ramping up of equipment and costs. By 2020 Eildon may have less than 500 gigalitres available for irrigation, and with the state government’s population explosion this water may be required to service urban demand.

A project of this scope should have been subject to a public inquiry similar to the parliamentary public works inquiries of the past where all matters are dealt with and a reasonable resolution arrived at. This inquiry now highlights the problem of providing water for the planned doubling of Melbourne’s population in the next 20 years. In the same period, due to climate change, surface water inflows will decrease by more than half. One option of transferring Lake Eildon from irrigation to urban supply needs to be decided immediately, as spending $2 billion on modernisation and then closing down 60 per cent of the system is absurd.

The opportunity now lies in the hands of the Legislative Council members to stop this disastrous and corrupt project. Cities south of the Divide can call on areas with a more consistent water supply for urban use. Irrigation districts are required to be the lifestay of food production for Victoria’s rapidly increasing population for many years to come. Thank you.

The CHAIR — Gentlemen, thank you for your oral submissions this afternoon and also for your separate written submissions to the committee earlier, which set out in considerable detail your concerns and views on these projects. I would like to ask Professor Constable one question, though. In your submission today you spoke about the need for a substantial reduction in irrigation to return the system to previous levels of security, and you have quoted a figure of 30 per cent reduction in irrigation demand. Can you outline the basis of that 30 per cent figure, please?

Prof. CONSTABLE — Yes. What I did was look at the undelivered water right in each year over that period, and with the efficiency that it is currently operating under you can determine the total shortfall and what that represents in terms of delivery within the district.

The CHAIR — So a 50 per cent allocation operating at 70 per cent efficiency and working backwards from that?

Prof. CONSTABLE — Yes.

The CHAIR — Over what — —

Prof. CONSTABLE — Sorry; I said it is indicative, because all I have done is taken those figures for inflows and operated on the shortages that have been delivered and worked out how much water would have been needed to meet the demands, and then based on the average delivery figures in the district said that represents 30 per cent or thereabouts. I am sorry. That is in answer to your question.

The CHAIR — It is. I just wanted to then ask: over what period did you look at the data? What time period?

Prof. CONSTABLE — We only had — or I only had — data for the first eight or nine years of the drought, so what I have — —

The CHAIR — So it is the drought period?

Prof. CONSTABLE — Yes. It could well be more than that if this drought continues for another couple of years.

Mr VINEY — Do you actually think there are benefits to be gained out of the modernisation of the irrigation system?

Prof. CONSTABLE — Certainly there are benefits to be gained if there is additional productivity. We need to perhaps look — —

Mr VINEY — Sorry, can I just be clear: do you mean productivity on the farms?
Prof. CONSTABLE — Yes. I mean if there is additional income produced. It is bound up with the general financing of the whole operation. If you look back in history, we have had the failure in 1905 because there was not enough water and irrigators could not produce enough income. For a long period the maintenance of the system has been chronically underfunded because there was a reluctance to meet increased water charges on the one hand, and it has been a political issue very much — what are the charges?

There was a major revamp in the 1930s, which really resulted in free capital, as far as the irrigation community is concerned, to revamp it. We had another very large program in the 1950s and the 60s which was allied to a program to increase the capacity to deliver water in the system. That increased additional income, because farmers were able to up their production and increase incomes, but still the system operated on the basis of free capital. It was state borne but recorded as a capital debit against country water supply.

When the Cain government came in in 1982, after a Public Bodies Review Committee inquiry they came to the view that really the irrigation system should be put on a more commercial basis for operation and produced a proposition to start charging the historical capital against the irrigation community, which would have resulted in very large increases in costs. I say fortuitously that Treasury records were not good enough to identify that capital with the assets that currently exist, and it would have been unfair simply to start lumping capital onto the irrigation community, which really had no firm justification.

Anyway, with my chief financial officer at the time we negotiated a new financing arrangement in 1983 which meant that, in return for absolving the historical capital indebtedness, an arrangement was developed: provided that the irrigation community took on the responsibility for maintenance of the distribution system in perpetuity, they would be relieved of the debt. In fact that proposition went through quite a lot of country water supplies — urbans as well — so there was a write-off of that historical debt.

My concern now is that we have another very large injection of taxpayers money. The final cost of operation has not been identified. The irrigators have not had an opportunity to decide how much they are prepared to pay for an improved system. If they cannot pay it, we have had a massive investment which probably is not going to be totally productive.

I think that is a background to the general financing system, but I still come back to this point — that is, really it is the security attaching to irrigation allocations that is the key. For permanent development irrigators need 100 per cent of allocation to avoid substantial loss if they only get a series of years of half allocation. If it is to persist, then that security needs to be there. It needs establishment as to, whether it is 30 per cent or whatever, what readjustment needs to be made in demand to put the whole system back on a sustainable basis. Once that is done, then there are all sorts of opportunities for market forces to force or to reward good management.

Mr VINEY — Sorry; my question is simpler than that. My question is formed on a very simple basis. Are there water savings to be had from the modernisation project? Do you accept that there are water savings to be had from the modernisation project?

Mr DRUM — For $2 billion you would want to do something.

Mr VINEY — Don’t I know it.

Prof. CONSTABLE — I have some reservations about the figures that are being quoted.

Mr VINEY — Everyone is arguing about the quantums; what I want to know is whether the principle works for you. By lining channels, covering channels, using pipe and reducing massively the number of channels, will you actually save water from loss?

Prof. CONSTABLE — Yes. Let me say, there has been a continual effort over the whole period to try to modernise the system to reduce losses. Now the current one is partly stimulated by a need to overcome the deferred maintenance issues of the past. If you are going to talk about efficiency of water distribution, the most efficient system in terms of water efficiency is one where there is a very rigid roster where irrigators take water in turn so that you avoid the need for channel regulation, which is the source of the operational losses.

You have to understand that an open channel system is not like a pipeline system. In a pipeline system users can turn on and turn off taps independently of one another, and the system design takes account of the changes in
flows in the pipes. In an open channel system, water flows downhill. Once it is admitted into a channel system, it can go nowhere else but through the farmers’ outlets or over the banks or out to outfall, unless the flow is continually reduced to meet the demand. The real losses come about when you have a rainfall event which wipes out the demand entirely. The operators are then faced with having to what we call close down or bar up the system fairly rapidly to avoid overflows. That is where most of the losses occur.

The new program can help to reduce those losses, but it has limitations where the distance between the operating structures is very large and therefore the volume of water in transit between the operating points is considerably bigger than can be contained within the channel system if you bring it all to a stop and the water level levels out.

Mr VINEY — Can I just clarify that: your doubts about the savings to be generated would ultimately mean that you do not support the modernisation of the irrigation system?

Prof. CONSTABLE — No, I support the modernisation system. What I am saying is: do you need to go to the extent of a totally automated, centrally controlled system to save significantly more water than can be achieved by a less sophisticated system? I simply say to you that efficiencies substantially higher than are currently being received have been traditionally achieved in the past by essentially a manual operation.

Mr DRUM — That is true.

Mr VINEY — So basically you are saying it has been too modernised? It is too modern?

Prof. CONSTABLE — What I am saying is it is a Rolls Royce system with a very high cost and there has been no indication that that additional cost can be justified by increased production and that the farmers are prepared to pay the full cost of that. It is a complex issue.

The CHAIR — I am keen to get through a few more questions, so I would ask you to make your answers concise so that we can get through a few more questions.

Mr DRUM — I will ask the question and you can decide amongst yourselves who you wish to answer it, but it might be George. Is it your understanding that the independent auditor, and we are waiting to hear the results of their audit, will be forced to calculate the savings achieved through the food bowl modernisation project using the technical manual?

Mr GORDON — I would like the committee to make an inquiry of the DSE, which is running the auditor, because in my view that is a poor document. You cannot take water from irrigators using that document. In my submission I said the auditor must certify that something is correct; what is that something in this case? I have not heard from anybody that there has been a fixed volume of savings made to date or at the end of the last irrigation season. That seems to me to be a critical issue.

Mr DRUM — Are you aware that this morning we were asking DSE about the credibility of this document? I think it might have been in answer to Ms Lovell’s question that they said Dr Blackmore had in fact reviewed the document and had signed off on it.

Ms LOVELL — He reviewed it.

Mr DRUM — Are you aware that Dr Blackmore has then said that in making these statements he has not examined the underlying science and engineering that underpin some of the specific assessments?

Mr GORDON — I have spoken to Dr Blackmore. He told me the Victorian government asked him for some information. He provided the information he was asked to provide, and as I understand it that is the end of the subject as far as he is concerned. Dr Blackmore was an officer of State Rivers in my time; he was an engineer at Swan Hill. If he had studied that document, I am certain that as an engineer he would not accept it, because as I have said in my submission just now, it is incorrect.

Mr BASSED — Can I add to that?

Mr DRUM — Certainly, Bruce; yes.
Mr BASSED — That document was produced by DSE. It includes everything they could lay their hands on from those savings, and I believe the audit is purely a mathematical check on the NVIRP’s method of calculations to make sure they are calculating the loss in accordance with that document. It does not go any further than that.

Mr BARBER — No questions, Chair, but I just wanted to say that I hope you are confident, gentlemen, that the committee is now fully alive to these issues thanks to your information and other information we have been provided with. If this could all have been done up-front before the project was given the green light, I believe we would have got a very different outcome. You heard probably from my last question to the previous witnesses that they cannot yet tell us what savings are even under their auditing method, so it will really be a case that we will find out afterwards what they say the outcome will be, and only then will we be able to make a judgement. That is very unfortunate when you are talking about a couple of billion dollars worth of public funding.

Mr BASSED — Why won’t they tell you the savings, because they know what they are? The audit is purely a mathematical check on their own figures. They must have some confidence in the way they do their work.

Mr BARBER — It has now become a highly political number because of the very issues you have raised with us.

Ms LOVELL — Mr Bassed, towards the end of your submission you referred to Eildon only having perhaps 500 gigalitres of water available for irrigation in the future. I was just wondering how you arrived at that figure.

Mr BASSED — I arrived at this figure because I have used the CSIRO climate change figures on reductions in inflows which it provided. That reduces the figures considerably. Also at the moment these are the calculated losses. It is saying that the water to be transferred to Melbourne and the environment will be a fixed amount at this point in time, with inflows reducing by half over the next 20 years. That means that over the future half these losses will be supplied from the irrigated water rights, because they are a fixed amount. The other thing that worried me particularly about getting down to that level is that that is really the level that the government is looking for water to supply Melbourne, and it will not build the dams or take it to the south. Is it going to close the irrigation area up here? It would be a criminal act if they did it, but where else will they get the water from? We need extra water anyway, just to maintain — —

Mr BARBER — The implication is that the reliability will become worse, which was the subject of Professor Constable’s submission.

Mr BASSED — We may get it. It intends to close down a considerable portion of the irrigation district here because they have not got the money and it looks like it will be trying to close down the area around Spurs Run. It has not maintained it for many years and there is a very high loss. That is what it will be doing. The trouble is it will not tell anybody. It is all being done behind people’s backs and no-one knows what is going to happen. It is a real problem for the irrigators.

Ms LOVELL — It puts at risk everything that Mr Mills spoke about in terms of the regional economy of the north and the food production; it puts the whole of Victoria at risk.

Mr BASSED — When Mr Mills talks, his job is to sell this project; nothing else. That is his job in this world: to get out there and tell everybody how good this is. I could bring probably about three-quarters of the irrigators down here and they would tell you a different story to what Mr Mills tells you. He really gilds the lily; no doubt about it.

Ms LOVELL — Mr Gordon, towards the end of your submission, you said:

The current proposal to take water from the Goulburn Valley irrigators is unfair and does not comply with the national water initiative, to which Victoria is a signatory.

Can you just expand on why it does not comply with the national water initiative, please?
Mr GORDON — Yes. The COAG agreement, which set up the national water initiative, set up a whole range of better accounting for our nation’s water, which includes metering, albeit accurate metering, of all our deliveries and our rivers. Victoria is a signatory to that agreement, and it could not care less.

Ms LOVELL — But why will it not meet those accounting procedures?

Mr GORDON — The metering is unsatisfactory. Goulburn-Murray Water has just stopped looking after its metering system. That to me is unacceptable. I understand it only reads its meters three times a year now. I used to read them every watering when I was in charge. Also we maintained our meters. That test of 53 meters where you look to see why they are incorrect simply says Goulburn-Murray Water is not maintaining its metering system, and that to me is unacceptable.

Ms LOVELL — Do the three of you have confidence in the new metering systems and the Rubicon flume gates?

Mr GORDON — No, I do not, because it is not peer-reviewed, as far as I know. I have not seen any technical analysis of how good it is. I have no evidence on how long it is going to stay working before it has to be repaired, maintained or whatever. It sounds great on paper, but I think there are people who say it is not so great. In fact there was one farmer last year who got billed water through his meter in the winter time when the channel was empty. How can that be an efficient metering system?

Prof. CONSTABLE — Could I just add, on the question of maintaining and operating the meters, the system that had been developed for many years was, as George said, for the meters to be read after each watering and for weekly reviews of the deliveries to be made in which each section was accountable for the deliveries, the supervisors would have had the opportunity to identify shortcomings between the deliveries and inflows to the channel, which means that you have an opportunity to identify the reasons — whether it is poor operation or unauthorised taking or whatever. That accountability is totally lost once you read the meters every three months. The managers have no idea what has happened in those deliveries week by week until the next meters are read. It provides no data at all for management purposes.

Mr BASSED — Can I just add to that? The new meters are costing about $40 000 to put in. They were going to use the meters supplied, which were about $11 000 or $12000 originally. There has been no work done at all on what could be done with the Dethridge wheels and the cost of ramping those up, even making the gate on them automatic. The irrigators have to pay this money, and no-one seems to care how high it goes. Why would we take the most expensive meter you can buy and put it in the system instead of forcing the contractor who supplied the equipment and see if we could use his meters? He would say, ‘It would not work’, or, ‘They could work, but they do not work now’. What happens is that the irrigators have to pay for it. We have to pay all the money they spend in those channels on replacement costs. The meter will be replaced in about 20 years. The electronics start to go at about 5, the motors go about 10, the structural steel in about 20 or 25 years.

Ms LOVELL — And the warranty is 12 months.

Mr BASSED — So in 25 years, are you repaying a meter which is costing you $12 000, or are you repaying a meter which is costing you $40 000? It just seems ridiculous.

The CHAIR — I am conscious of the time. Mr Tee will ask the final questions.

Mr TEE — I suppose I just want to go back to the issues that have been raised by Mr Viney around whether or not you supported the modernisation of the infrastructure. When I look through the material that the committee has been given over some period of time now, there is evidence that the modernisation project has been supported by the local council, through the local government, the state government, the business council, Goulburn-Murray Water, Melbourne Water. I am wondering how we as a committee could or should incorporate or view your evidence in the context where groups such as that have been supportive of the modernisation project. On the one hand the committee has a number of organisations from a diverse range of views and perspectives who are supportive of the modernisation project, and then we have you, and you have expressed a degree of concern about the modernisation project. I am wondering how in your view we should reconcile those different perspectives.
Prof. CONSTABLE — I think, Mr Chairman, in answer to that, the question is: is it an appropriate modernisation? If people get $2 billion worth of free money and do not have to meet the financial costs associated with the provision of that, of course they would want a Rolls Royce. The fact that there has been no information that I am aware of which refers to the ultimate costs of maintaining the system, then that is the basis of my reservation. If the irrigation community cannot meet the cost of that, then the whole thing goes down the drain. We have had that potential disaster. We have had one disaster in 1905. The underlying cost is a real issue, and it has not been exposed.

Mr GORDON — Chair, can I make a comment?

The CHAIR — Yes, Mr Gordon.

Mr GORDON — I do not have access to all the documents and the statistics that Goulburn-Murray has, but on the information available to me, my assessment is that for all the money that has been spent in the Goulburn Valley, there has been no result in water savings. Now, that is a pretty damning statement. I present these documents to you; there is a copy for everyone.

The CHAIR — Are these the ones we have received in this package, Mr Gordon?

Mr GORDON — They are not attached, no, this is not in the submissions anywhere.

The CHAIR — Thank you, Mr Willis will take them for us.

Mr GORDON — There is one there for the east Goulburn channel and the other for the channels going to the west; they are separate. They are not complete in my mind, because the information is not available to me — for instance, the water that goes to Bendigo and Ballarat, down that pipeline, is not public information. The reason it is not public information is that it allegedly consists of water purchased from irrigators’ entitlements and as such it is confidential to the owner of that entitlement. That, to me, is a failure.

The CHAIR — Thank you, Mr Gordon. Gentlemen, thank you for your evidence this afternoon and for your written submissions. The committee may have some follow-up questions. We will have a draft transcript for you in the next couple of days for any corrections you may wish to make. We appreciate your time here this afternoon and your interest in this inquiry.

Committee adjourned.