

Government response to the final report of the Carnarvon Ministerial Advisory Committee



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Background

Carnarvon is an important supplier of horticultural produce to Western Australia's domestic market, especially in winter months, when approximately 60 per cent of Perth's vegetables are supplied from the district. There are approximately 170 plantations in the district providing direct employment for 375 people.

In recognition of the importance of the horticultural sector in the region and for the State, the current State Government, and growers, have invested significantly in infrastructure, water planning and management:

- *Gascoyne Food Bowl Initiative* (\$25 million) commenced implementation in 2010 to expand and maximise the agricultural production potential of the Gascoyne region.
- *Carnarvon Flood Mitigation Works* (\$60 million) has been completed to protect key water infrastructure in the region, including parts of the upgraded Gascoyne Irrigation Pipeline and North West Coastal Highway.
- *Gascoyne Irrigation Pipeline Project* (\$17.1 million) delivered a 31 kilometre pipeline, with funding contributed from *Royalties for Regions* (\$6m), Gascoyne Water (\$4.5m) and the Commonwealth Government (\$6.6m).
- *Water for Food Middle Gascoyne Project* (\$2.6 million) is underway to investigate the scale and quality of alluvial aquifers between Rocky Pool and the Kennedy Ranges, aiming to define new upstream water sources.

Carnarvon Ministerial Advisory Committee

The Carnarvon Ministerial Advisory Committee (CMAC) was established in October 2013 by the Minister for Water, and the Minister for Agriculture and Food to provide advice to Government to alleviate the extended conditions of no river flow and reduced access to water in high demand periods in the Lower Gascoyne. Its remit was expanded in September 2014 to address some of the strategic planning required to underpin a strong and sustainable future for the irrigation precinct, including the resolution of key issues to progress the Carnarvon agricultural sector over the next five years.

The CMAC has delivered a strategic assessment on the future of the Gascoyne irrigation water supply system, developed over 20 months with input Gascoyne Water, the Water Corporation, Department of Water, Department of Agriculture and Food, Gascoyne Development Commission. The Committee was chaired by Dr Des Lord, a Commissioner from the National Water Initiative.

The way forward

The CMAC has produced a report that provides direction for industry and Government to set the Gascoyne's irrigated agriculture sector on a sustainable footing. It has, in short summary:

- produced an agreed history of the development of the irrigation scheme
- developed system design plans to support integration of the irrigation system
- assessed growers 'capacity to pay' for water into the future, and

- articulated the current governance structure of the grower co-operatives.

There are two key recommendations, the first that the governance of bulk water supplies for the irrigation scheme be consolidated in a single organisation, the second that further significant investment into infrastructure is required to optimise the system.

The State Government agrees that a single entity responsible for the governance and management of the infrastructure is a desirable outcome. An organisation with appropriate governance, addressing the issues raised by CMAC, would provide Government and industry with greater confidence to consider future funding of infrastructure as recommended by the report.

Although Gascoyne Water has stated its desire to become the single entity, the CMAC was of the view that improvements to the organisation's governance were required before it could take on this role. Reviews conducted since CMAC reported including by reviewers engaged by the Economic Regulation Authority (2015), have added to concerns in relation to the governance, management systems and staffing of Gascoyne Water.

It is proposed that several options be investigated and assessed in consultation with Gascoyne Water and growers to deliver the desired outcome of a single entity responsible for the governance and management of the infrastructure. Options include increasing Gascoyne Water's capacity, the Water Corporation or its subsidiary, or establishing a new government irrigation operator. This process will be led by the Department of Water.

The consideration of further State Government investment related to the irrigated agriculture sector in the Gascoyne will be dependent on having a robust and sustainable entity responsible for the governance and management of the infrastructure in place.

It is important to note that Water Corporation bulk water prices have been held while CMAC has been in place and will not be increased while the options for a single entity responsible for the governance and management of infrastructure is investigated.

Recommendations

Recommendation 1 – Equity of Supply

CMAC recommends the definition of 'equity of supply' be adopted to facilitate the development of service level agreements with growers and the design and installation of infrastructure necessary to support this outcome – particularly during periods of peak demand.

Response: The State Government agrees this is a fundamental principle that should be adopted by the organisation responsible for governing and managing the irrigation assets.

Recommendation 2 – Development of a Level of Service to growers

CMAC recommends that GWC defines the level of service and put in place service level agreements with its members as a matter of priority.

Response: The State Government agrees this is a fundamental principle that should be adopted by the 'single organisation' responsible for governing and managing the irrigation assets.

Recommendation 3.1 – GWC Infrastructure

CMAC recommends that the following improvements to the existing system owned and operated by GWAMCO / GWC be implemented:

- a. The existing distribution irrigation pipeline, also referred to as the Gascoyne Irrigation Pipeline (GIP), requires additional air bleed valves and section valves to be installed to allow sections of the irrigation pipeline to be serviced without shutting down and bleeding the entire pipeline
- b. Installation of additional production bores in the existing GWC northern borefield is required to bring peak flow up to 183 L/s including bores for stand-by. This will allow abstraction of the full licence volume of 3.6 GL/yr and will increase peaking capacity to a factor of 1.6, ultimately allowing increased supply to growers and an improved level of service during peak supply periods.
- c. Repair and enhancement to SCADA telemetry systems to ensure full and stable operation and integration of the northern borefield into the overall system.

Response: Should State Government funding be required to implement this recommendation it will be considered after the finalisation of a 'single organisation' responsible for governing and managing the irrigation assets.

Recommendation 3.2 – Water Corporation – southern borefield collector main

CMAC recommends that the Water Corporation's southern borefield collector main should be progressively replaced in accordance with the Water Corporation's current replacement planning.

Response: Under the current governance and management arrangements, the implementation of this recommendation requires \$25.7 million over the next two to five years, carried out in two stages. \$13 million has been budgeted in Water Corporation's forward capital works program (2016-18) for Stage 1, but would need to be recouped from growers through increased water prices. Stage 2 requires \$12.7 million (2018-20) and is currently unfunded.

Recommendation 4 – Development of GFBI project borefield infrastructure

CMAC recommends a staged approach to the development of the GFBI project borefield and related assets.

Response: Noted.

Recommendation 5 – Ultimate integration of the scheme

CMAC recommends the infrastructure configuration outlined as Option 1 of the GHD report as the preferred engineering option for the scheme.

Response: The configuration of infrastructure will be addressed after the finalisation of the 'single organisation' responsible for governing and managing the irrigation assets.

Recommendation 6.1 – Single Bulk Supplier

CMAC recommends that the process be commenced to confirm a single bulk supplier for irrigation water in Carnarvon. This supplier should be either the Water Corporation or the Cooperatives.

Response: The State Government agrees that a process be commenced to confirm a single bulk supplier for irrigation water in Carnarvon. It is proposed that several options be investigated and assessed in consultation with Gascoyne Water and growers to implement this recommendation. Options will include Gascoyne Water, Water Corporation or its subsidiary, or a new government irrigation operator. This work will be led by the Department of Water.

Recommendation 6.2 – Developing the skills of the Cooperatives

CMAC recommends that at present it would not be appropriate to designate the Cooperatives to be the single bulk supplier. However CMAC recommends that a procedure be put in place to facilitate the development of the Cooperatives' skills, capacity and experience with the intent of them being the bulk supplier in the future. A rigorous and regular assessment of the Cooperatives' progress is required. At no stage should transfer of assets occur unless there is confidence in the long-term financial and operational success of the new scheme management. This process could take two to five years.

Response: The State Government agrees that a process be commenced to confirm a single bulk supplier for irrigation water in Carnarvon. It is proposed that several options be investigated and assessed in consultation with Gascoyne Water and growers to implement this recommendation. Options will include Gascoyne Water, Water Corporation or its subsidiary, or a new government irrigation operator. Should Gascoyne Water be designated as the single bulk supplier for irrigation water the State Government agrees no transfer of assets should take place until such time there is confidence in the long-term financial and operational success of the new scheme management.

Recommendation 7 – Ownership of GFBI project borefield assets

DAFWA will not be the long-term owner or operator of the GFBI project borefield and pipeline assets.

Response: The ownership of the GFBI project borefield and pipeline assets will be taken into consideration as part of the process to confirm a single bulk supplier for irrigation water in Carnarvon.

Recommendation 8 – GFBI project Infrastructure timetable

DAFWA has informed CMAC that it anticipates the GFBI project borefield development out to 24 km (as per engineering designs in recommendation 5) including electrification and the collector main pipeline will be completed by September 2016 in line with the agreement for funding from Royalties for Regions.

Response: Noted.

Recommendation 9 – Temporary use of GFBI project water

CMAC supports the Minister for Agriculture and Food and DAFWA announcement that any water that can be obtained from the extended GFBI project will be available through the Cooperatives to current growers on a temporary basis while land release processes are being completed.

Response: The Minister for Agriculture and Food has announced that, if required, water from the GFBI project will be made available to current growers while land release processes are being completed.

Recommendation 10 – Financial viability of the Cooperatives

It is recommended that the Cooperatives implement price structures (increases) that reflect actual take up of GFBI project water to:

- recover all costs associated with the diligent operations and maintenance of the scheme; and
- collect sufficient monies to cover the cost of all future asset renewals of all assets over the asset life.

Response: Current charges levied by Gascoyne Water do not reflect the actual cost of supply. The State Government will only consider proposals for financial assistance in the form of an operating subsidy, capital injection or combination of both, after the finalisation of a 'single organisation' responsible for governing and managing the irrigation assets.

Recommendation 11 – Full cost recovery versus subsidies

CMAC recommends that any level of financial assistance offered should be determined by Government and be provided in line with the Cooperatives meeting agreed performance outcomes.

Response: The State Government will only consider proposals for financial assistance in the form of an operating subsidy, capital injection or combination of both, after the finalisation of a 'single organisation' responsible for governing and managing the irrigation assets.

Recommendation 12.1 – Improved Aquifer Modelling Tools

CMAC recommends an accelerated upgrade of the groundwater flow model GASFAMS v1.2, with the first stage completed by December 2015. This update, GASFAMS v1.3, will incorporate the initial results (bore logs, aquifer test data and water quality data) from the GFBI project northern borefield drilling project. It will be coupled with recent data from the extended no flow period and the subsequent recharge event.

Response: The Department of Water is implementing this recommendation.

Recommendation 12.2 – Improved Aquifer Modelling Tools

A GASFAMS "Lite" version is developed for local usage that will enable DoW staff to use the model for local decision making and quarterly aquifer status reporting.

Response: The Department of Water is implementing this recommendation.

Recommendation 13 – Improved Seasonal Predictions

To alleviate uncertainty about water supply security it is recommended that medium term (three to five year) outlooks are generated annually to inform growers and water service providers on current, short term and medium term water availability.

Response: The Department of Water is implementing this recommendation.

Recommendation 14 – Increase Water Trading

CMAC recommends the release of water through temporary or permanent trading of C Class GWC shares be actively supported and developed by:

- improving grower security of supply;
- adoption of a pool based trading program, administered by the Cooperative, that is impartial and considers the offset of fixed costs; and
- informing the grower community on the risks and benefits of water trading.

Response: The State Government agrees this is a fundamental principle that should be adopted by the 'single organisation' responsible for governing and managing the irrigation assets.

Recommendation 15 – Short Term Response Plan

CMAC recommends that the DoW, Cooperatives and the Water Corporation prepare a 'Peak Demand Response Plan' by 31 August each year to address peak demand responses for the coming October to January period.

Response: The State Government supports this recommendation and notes this was implemented for 2015.

Recommendation 16 – Lower Gascoyne water allocation plan

CMAC supports the DoW's revision of the current 2011 *Lower Gascoyne water allocation plan* as proposed in 2018.

Response: The State Government supports this recommendation, the Department of Water will be responsible for its implementation.

Recommendation 17 – Communications

CMAC strongly recommends that the matter of communications be addressed with genuine purpose and involve all parties, particularly the Cooperatives and growers and the agencies DoW, Water Corporation and DAFWA as equal partners.

Response: The State Government supports this recommendation. The implementation of CMAC recommendations will require a communications strategy to be developed ensure all key stakeholders are engaged in the process.