



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
REFERENCES COMMITTEE

Reference: Rural water usage in Australia

MONDAY, 25 AUGUST 2003

ST GEORGE

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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT REFERENCES COMMITTEE

Monday, 25 August 2003

Members: Senator Ridgeway (*Chair*), Senator Heffernan (*Deputy Chair*), Senators Buckland, McGauran, O'Brien and Stephens

Participating members: Senators Abetz, Boswell, Brown, Carr, Chapman, Colbeck, Coonan, Crossin, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Harradine, Harris, Hutchins, Knowles, Lees, Lightfoot, Mason, Sandy Macdonald, Murphy, Payne, Santoro, Tchen, Tierney, Watson

Senators in attendance: Senators Buckland, Ferris, Heffernan, McGauran, O'Brien and Ridgeway

Terms of reference for the inquiry:

To inquire into and report on:

1. current rural industry based water resource usage;
2. options for optimising water resource usage for sustainable agriculture;
3. other matters of relevance that the committee may wish to inquire into and comment on that may arise during the course of the inquiry, including the findings and recommendations from other inquiries relevant to any of the issues in these terms of reference.
4. the Committee to make its report to the Senate on this matter by the last sitting day in 2003.

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Committee met at 11.16 a.m.

CHAIR—I declare open this public meeting of the Senate Rural and Regional Affairs and Transport References Committee. This is the committee's first opportunity to canvass publicly the issues raised by its inquiry into water resource usage in that part of rural Australia that relies on irrigation water for its agricultural activities. The committee's program for this week takes it to St George today, to Moree tomorrow and to Griffith on Wednesday. The committee is currently programming further hearings from now until the end of November which are essentially intended to give us a complete picture of the rapid and difficult changing circumstances facing rural water users. The committee's inquiry focuses on current rural industry based water usage, options for optimising water resource usage for sustainable agriculture and, last of all, other matters of relevance that the committee may wish to inquire into and comment on that may arise during the course of the inquiry, including the findings and recommendations of other inquiries relevant to any of the issues in the terms of reference.

I welcome everyone who is here today. This is a public hearing and a *Hansard* transcript of the proceedings is being made. I thank the Hansard staff for travelling up from Canberra to be here. The format of today's hearing is a program of witnesses invited by the committee. The committee will then invite anyone here who wishes to speak to matters relevant to the inquiry to make a short statement. They will not be subject to committee questioning. It is an opportunity to give people a change to have their say. Those contributions will be part of the proceedings recorded today and will be considered by the committee in preparing its final report.

The committee has received a large number of written submissions—at last count there were in excess of 50 from all over the country—all of which are available from the committee secretariat or from the Parliament House web site for the committee's inquiry. It should be noted that the committee has authorised the recording, broadcasting and rebroadcasting of these proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990 concerning the broadcasting of committee proceedings.

Before we take evidence, let me place on record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee and any evidence given before it. Any act by any person which may operate to the disadvantage of a witness on account of the evidence given by him or her before the Senate or any committee of the Senate is treated as a breach of privilege. While the committee prefers to hear all evidence in public, if requested the committee may agree to take evidence in camera and record that evidence. Should the committee take evidence in that manner, I remind the committee and those present that it is within the power of the committee to publish or present, at a later date, all or part of any of the evidence to the Senate. The Senate also has the power to order production and/or publication of such evidence. Any decision regarding publication of in camera evidence or confidential submissions would not be taken by the committee without prior reference to the person whose evidence the committee may wish to consider.

[11.21 a.m.]

BARRETT, Mr John William, Deputy Mayor, Balonne Shire Council

GRABBE, Mr John Friedrich, Member, Lower Balonne Community Reference Group

ROGAN, Mr Glenn Arthur, Lower Balonne Community Reference Group

STONE, Mayor John Ruscoe, Mayor, Balonne Shire Council

TODD, Mr Ian Douglas, Member, Lower Balonne Community Reference Group

WATERS, Mr Ronald James, Chairman, Balonne Indigenous Progress Group

CHAIR—Welcome to our first witnesses, from the Balonne Shire Council and the Lower Balonne Community Reference Group.

Senator HEFFERNAN—Mr Chairman, I would like to put on the record for the purposes of pecuniary interests, I suppose, that I have a water licence on the Lachlan. I think our witnesses should declare their interests as well.

Mr Rogan—I am an allocation holder in the St George irrigation area.

Mr Grabbe—I am a water harvester from Dirranbandi, Cubbie Station.

Mr Todd—I am a businessperson in St George—with a machinery dealership—and I also have a water licence in the St George end of the scheme.

Mayor Stone—The Balonne shire has some water allocation from the Balonne River.

Mr Barrett—I have no personal interest.

CHAIR—Thank you. I now ask Mayor Stone to make some opening remarks.

Mayor Stone—Thank you. The committee has received a submission on behalf of the Balonne shire and the wider community and, unless you wish, I will not read it to you. I would like to make a couple of points. One is to acknowledge the presence of Councillor John Barrett, whose name does not appear on our introductory page. He is the Deputy Mayor of the Balonne shire and is also a member of the Lower Balonne Community Reference Group.

The whole water debate is very technical, and the council itself has no particular technical expertise in this area. But it has a wide knowledge of the thinking of the wider community about this issue. Within the wider community there are lots of differing views. We have tried to present in this document the thinking of the wider community in this area. The only thing I do not think we emphasised enough in this document is that the possibility of water trading taking water out

of our district into other areas or even interstate is of concern to us. My inquiries to date with various people have not satisfied me that a risk to us does not exist. That is all I have to say.

CHAIR—Councillor Barrett?

Mr Barrett—I have no additional comments at this stage.

CHAIR—I am not sure who is going to represent the Lower Balonne Community Reference Group.

Mr Todd—I can speak briefly. Firstly, I make an apology for our chairperson, Leith Bouilly, who is unable to be in attendance today. The background to the community reference group is that it was established post a visit out here from the Premier and because of the continuing debate over the science in the Lower Balonne. He invited Peter Cullen and a couple of scientists to have a look at the science in the Lower Balonne. Then we had the Cullen report, which was handed to the Queensland government. The Queensland government then asked the community reference group to stay on board with a few additional people and work through a process of attempting to implement the Cullen report.

We, as a group of community representatives—and we will be presenting to you a list of who is in our group—worked through that process to try and implement the Cullen report to the best of our ability. We have the preamble, and the flow-by-flow management I think has been submitted to you; if not, we have copies here today. That is currently with the Queensland government being reviewed to form part of what will be a new water resource plan, we assume, for this area. We are here speaking in the role of the community reference group about the process that we have been through since the visit of the Premier to Dirranbandi.

Mr Grabbe—Could I add that Peter Cullen is currently reviewing the draft proposal with regard to its relevance to his report about the science down here and the recommendations he made under that. We were hopeful that we would have received comment from him late last week, but I am told it is going to be early this week. If we were able, we would like to forward that on to your inquiry once we have it available.

CHAIR—That would be fine. Are there any others who wish to speak? No? What I am proposing to do then, if you are happy about the statements you have made to date, is go into question time with the committee itself. Obviously all of you would be familiar with the terms of reference of the inquiry, and there are a number of issues that we have identified as we have looked at the submissions that have come in from all over the country which essentially look at some of the critical issues to do with government processes, consultation and water rights, particularly trying to define that knowing that there are a range of different views—depending on where you are, they are either within a state or across states. Compensation and funding have certainly been very topical in terms of proposed changes mooted by the various state governments, and then of course there are the institutional and regulatory issues.

I wondered whether, from the point of view of St George and surrounds or of the Balonne Shire Council, you wanted to make comments in that respect, given that often you are portrayed as being at the top of the flow and given some of the comments that are made as a result of what is happening in New South Wales, Victoria and then down into South Australia. I think it is

useful for us to be able to understand from your perspective how you respond to some of those comments, criticisms or views. That gives us an understanding of your circumstance—of your position—that we can take into account.

Mayor Stone—I suppose I could start off by saying that we have been concerned, over time, with comments in the media and perceptions which exist amongst groups in the southern parts of Australia with regard to the idea that the water which is taken out from this section of the river is having deleterious effects down in that area. The community is aware of this and is concerned that it be well known that we only take a small fraction of the total water. Something under 10 per cent of the total water that is in the system is taken out by farmers in the whole of Queensland, let alone in this area. The community is conscious that it does not want to be made a scapegoat or to bear the brunt of any regulatory regime which may be put in place to increase the flow in the lower reaches of the river.

Senator HEFFERNAN—Are you referring to 10 per cent of the local rivers or 10 per cent of Queensland's water—or what is the 10 per cent you are referring to?

Mayor Stone—Ten per cent of the water in the system.

Senator HEFFERNAN—For all of Queensland?

Mayor Stone—The whole of Queensland is—

Senator HEFFERNAN—Or just the Murray-Darling part of your system?

Mayor Stone—Of the water that is taken out of the whole Murray-Darling system, Queensland is taking 10 per cent of it—or some figure under 10 per cent. I have heard various figures, but certainly none of them have been over 10 per cent.

Senator HEFFERNAN—The great problem, of course, is that the Murray-Darling represents 6.2 per cent of Australia's run-off and, in a sense, we have overcommitted the Murray-Darling Basin. Whichever way you add it up, it is not going to add up. So as long as I know that you are referring to 10 per cent of—?

Mayor Stone—The total water extracted from the Murray-Darling system, not just Queensland. The figures which I hear put around—

Senator HEFFERNAN—Which is the 23,000 gigalitres that are in the Murray-Darling system, I presume. So you take 2,300 gigalitres?

Mayor Stone—I do not know the figure in gigalitres, but the figures which we hear are something under 10 per cent taken out by Queensland.

Senator HEFFERNAN—I would like to get this down to an accurate statement if I could, because we are sick of throwaway statements.

Mayor Stone—I will present it in percentage terms if you like, which is the way we have been looking at it.

Senator HEFFERNAN—Of the harvested water in the Murray-Darling Basin or of the gross water?

Mayor Stone—Harvested water.

Senator HEFFERNAN—Which would be 1,300 gigalitres.

Mayor Stone—I do not have the technical knowledge to give the actual gigalitres.

Senator HEFFERNAN—Is there anyone who is able to assist us with that?

Mr Todd—I will look and come back to you on that.

Senator HEFFERNAN—We need to put this into proportion, because obviously there is an argument about how to defend the downriver rights of people.

Mr Todd—In relation to the effect in South Australia et cetera, I also sit on the CRP for the Living Murray, which is the process that is looking at taking back X amount of water and at the various scenarios put up by the various state governments. There is a general recognition within that group that the water that comes from Queensland will not play a part in that result. Pretty well all the hydrologists would agree that, in fixing the end of the Murray, the Queensland issue is not a goer. Therefore they have now focused on the bottom end of the system, which is where the major extraction happens and where the major resultant benefits will occur. If you look through the Living Murray process you will find documentation that will show that the impact of Queensland on that end of river result is negligible. But I will continue looking for that for you.

Senator HEFFERNAN—I would like to further explore that. Could you provide for the committee a snapshot of the river system in these sorts of terms: the Dirranbandi-Culgoa water goes to Bourke, some of the water here allegedly ends up down in the Narran Lakes. To kill some of the myths that are around, could you give us a bit of a snapshot of the river system?

Mr Todd—There are probably people who can explain the bottom end better than I can, but we might start right at the top. This system comes from as far up as Warwick and basically spills off this side of the great divide, right around through the top side of Roma and Mitchell, and those places all end up in this river system one way or the other. The Condamine runs through the Darling Downs. The Condamine actually changes its name at Surat to the Balonne. So basically by the time you get to St George all the water from above—from the Maranoa and the Condamine—is concentrated and goes past the weir that you will obviously have a look at while you are here. Then it goes from here down to a bifurcation system below us and fans out over a large flood plain. Probably John can explain the flood plain and how that works better than I can.

Mr Grabbe—The single river that flows through St George starts to bifurcate about halfway to Dirranbandi. Going downstream, it splits left to the Balonne Minor and splits right to the Culgoa. As you said, the Culgoa goes straight through to the Darling River. In fact, where it joins the Darling is where the Darling becomes known as the Darling—just upstream of that junction it is the Barwon. It becomes the Darling about the 60 kilometres upstream of Bourke. So the Culgoa water goes straight to the Darling, the left channel being the Balonne Minor. Just past Dirranbandi, about 60 kilometres further on, it bifurcates—it splits again. The left channel

becomes the Narran River and it flows to the Narran Lakes, a terminal lakes system. The system that goes to the right becomes the rivers called the Bokhara and Ballandool. The Bokhara flows through a small township called Hebel. Those rivers rejoin and resplit but effectively they end up in the Barwon River—the Bokhara ends up in the Barwon River, which flows down to Bourke. One small arm, called the Berri Berri River, flows back across to the Culgoa, but any water going to the right or any water through any of streams other than the Narran River ends up in the Barwon-Darling system.

Senator HEFFERNAN—Thanks for that, because I am sure that that would be of interest to some members who are not familiar, as I am, with the creek system up here. Could you explain to the committee the rethink on the Narran Lakes area with the help you are getting from Peter Cullen?

Mr Grabbe—Yes. Some startling new facts became available prior to, and even during, the original Cullen review of our science. It was claimed by everyone that the Narran Lakes stored a total capacity of around 170,000 megalitres, and that was made up of an area which is a Ramsar wetland—an international wetland—supposedly with a capacity of about 10,000 megalitres. That lake system is here. Then there is the terminal lake called Narran Lake, which was claimed to be about 160,000 megalitres. The way it was claimed that the lake system worked was that in a flood the bottom lake had to fill to back up over the Ramsar area. The Ramsar area is of huge relevance to bird breeding et cetera.

After the Cullen review, during the ongoing community reference group process of coming up with the proposed water plan that you, Senators, have before you, we unearthed some information that confirmed the true capacities at Narran. They are empty at the moment because of the drought we are in, and we have done proper, accurate surveys now over the lake system. What has been unearthed is that the Ramsar area that was supposedly 10,000 megalitres in capacity is about 1,800 megalitres, and the bottom lake that was supposed to be about 160,000 megalitres is in fact 105,000. It has also been confirmed that they are two hydrologically separate systems. That is, the bottom lake does not fill and back up over the top lake. In fact, a large degree of the water actually flows through the Ramsar area down into the bottom lake.

Senator HEFFERNAN—In terms of the upriver rights and the downriver rights, one of the great curiosities for me about the system further down is that when they built the dams, for instance, at Adaminaby et cetera, they compensated the cockies that were going to get flooded but they did not even think about the blokes who were going to lose the flood. So in terms of rethinking in a more responsible way—and obviously Cubbie Station has had a lot of publicity out of downriver rights—give us a snapshot of where you think a fair point is in the division of the water between downriver rights and upriver rights.

Mr Grabbe—Given that you have raised the name Cubbie, I will just put on the record for everyone that Cubbie extracts its water out of the Culgoa system, which is in fact downstream of any flows that go to the Narran. A lot of people are not aware of that. What is a fair thing? I believe that through our community reference group process we have struck at a fair arrangement for distribution of water. I am not suggesting that everyone is going to agree with that. You may hear later in the day an opposite view to that. But through the community reference group process we have pulled together graziers from over the border, graziers from

within Queensland, irrigators and environmentalists to try to come up with something we believe is fair.

We wait anxiously to hear what Peter Cullen has to say, because in his review of the science in the Lower Balonne he specifically made comments on our water supply to the Darling as well. It is in the Cullen report, which we will make available to you. Peter Cullen specifically looked at grazing issues on the flood plain and what changes may have occurred to that, and made specific recommendations that we had to change from the water extraction rules that we had. He put to us that we needed to move to an event based system. That is what we believe we have done with our proposal, which he is currently reviewing: we have changed our thinking totally. We now believe you should look at a flow as it approaches St George and look at the positive environmental impacts that particular flow could or could not have. There is a balance in there. We have put forward a set of rules. We are not saying they will be the rules forever, but we believe that they are a pretty strong interim set of rules for the management of our river system, which hopefully will find some balance for all users. If it does not find balance, obviously those rules will need to be modified in the future.

Senator HEFFERNAN—Could I just say for the record that the scientists' figures are not always right. Peter Cullen talks in his documents about doubling the gross domestic product of the Murray-Darling Basin to \$150 billion. He is, in fact, out by about 300 per cent there. That is a mythical figure; at the present time it is more like \$30 million. You cannot always believe what they tell you.

Mr Grabbe—No comment.

Senator O'BRIEN—Your event based management scenario is similar to what some people would refer to as an environmental flow management system, isn't it?

Mr Todd—Environmental flows can be done on two bases. One is a rigid set of rules that says that this amount of water goes to the environment no matter what. The way we have structured the second is as a process, when the flow is coming in, of using a decision tree. For example, if there is water in the Narran Lakes and the birds have started to breed then we have to give a higher level of importance to sending more water there because the duration of the wetting process is something to do with whether the birds actually fly away. However, under a rigid set of rules the water would have gone there or not gone there, and that would happen every time. But with our event based management system you can go back and say, 'Three months ago we had a flow that wet the area where the birds breed and they have started breeding. That changes our next decision.' So decisions are reached using a set of decision trees. For example, if there has not been a low flow through for 12 months, we do something different from if there had been a low flow through two months ago—the decision tree is different and we head down a different path. There is a slight difference there. If we go through with the event based management system and if we get it right, we will be the only river in the country that is doing it.

Senator O'BRIEN—Is this a series of human decisions or have you got a mandated matrix that you are going to work on?

Mr Todd—We are envisaging having a trust of people to manage within a set of parameters. We have put parameters in for a couple of reasons: to put a maximum level of impact on

extractive users and also because there is a set of parameters that we believe are delivering some of the environmental—

Senator HEFFERNAN—One of the things that the Wentworth Group and other scientists have been saying to us is that, with regard to the environmental flows and this proposition of a reserve bank or whatever for an environmental buyback, perhaps we ought to be able to top up that environmental flow in a wet year, which would be a year in which some of your harvesters would get very busy. Would you be concerned if there was a need to pulse what is a reasonably high river with extra environmental flow to give it a better flush but which may cut out some of the water harvesting?

Mr Grabbe—Our proposal actually addresses those issues and we have put on the table that at times that is what we will be doing. I would like to add that the trigger for this event based management system came only about eight or 10 weeks ago for us as irrigators—that is, water harvesters and people with allocation. This is a very different system here to your southern irrigation systems in that those are predominantly fed by government created storage. In fact, that is a very minor part of this system—the Beardmore Dam is a very small storage. It is a balance storage in the river: it really just balances out low flows.

The predominant water development here is privately developed with water harvesting licences where government dollars have not been invested—they are actually private dollars that have been invested. We had a small event about 10 weeks ago—it may even be 12 weeks ago now—where the river system below us had not had a total flow through to the Darling for 12 months. We took it upon ourselves, both the private infrastructure people and also those that rely on the government storage system, to voluntarily give up water to ensure that we had a flow through the system which would have happened naturally if we were not here as irrigators. In fact, it was the trigger to our formulation of the proposal that you have in front of you. I think a lot of us struggled with how the heck you could establish an event based management system. Then we were confronted with this small event with rivers not having run through and people downstream relying strongly on rivers for stock supplies, house supplies, town supplies. We voluntarily made it happen.

But doing things voluntarily can create a lot of heartache within a community. You have to rally around all your members, you have to try to get people to come on board, you have to explain the merits of it to them et cetera. With this proposal in front of you, we are putting to government that we want to go further. We want to actually formalise this so that, when these events occur whereby we need to help the environment, we do not have to go through the anguish of getting people on board and there is a set of rules that you drop down into.

Senator HEFFERNAN—Could you point to what your community feels its obligations are to the health of the river further down? Nature created the Murray Darling Basin, and all the rivers flow and end up down in Adelaide or somewhere.

Mr Grabbe—I keep hanging on Peter Cullen because it is hard not to—he is the independent scientist that came in under Beattie's sanction to review and recommend where we have to go. He clearly says that our obligations are to our downstream streams within this system. He points out—I can find the words if I look hard enough—that, because of us only being a part of the total catchment, the benefits we can create for the Darling River are probably restricted to the

reach of the river down to about Bourke. We can have some impacts there, but from the hydrology—Ian spoke of that earlier—and what is known about the contribution of water from the different river systems it is unrealistic to believe that we can have major benefits downstream to Adelaide.

Senator HEFFERNAN—But generally the community now bases its thinking on some science rather than the old bushranger saying: ‘We’re up the river, you’re down the river. Bad luck, buddy.’

Mr Grabbe—I think that is the case. I would like to jump back one. You spoke of security before and I think you spoke about the flood plain generally and maybe grazing interests. I would like to make a comment on that anyway. If there was no irrigation out here and people were applying now to develop infrastructure and irrigation, I could believe that the amount of development that has occurred would not have happened. But we are in a situation where that has happened, there is infrastructure and investment out there and we have towns within our shires relying on that infrastructure and jobs et cetera—it goes on and on, as you would be well aware. What we have done with this proposal in front of you is tried to draw a line in the sand. We have accepted that 2½ years ago the state government put an end to infrastructure being built out here with a moratorium notice: they said, ‘No more.’ There were huge implications out of that because some people had developed and some licences had not developed—the sleeper-dozer issue.

Senator HEFFERNAN—Do you think the sleepers should be compensated?

Mr Grabbe—I was just going to say that we have addressed the sleeper-dozer issue here in that, within the proposal you have, those of us that had developed further than others have accepted that we will take a reduction to allow sleepers and dozers to come on. We feel we have come up with a social harmony package here. Rather than us going out and saying, ‘We want compensation for our sleepers and dozers,’ we have said, ‘Let’s see if we can do it amongst ourselves by slightly rearranging our water rights.’ We have agreement within our community on that. Whether or not the state government endorses that is a bit out of our call.

CHAIR—Does that operate on a general agreement that no-one loses anything, you just look at what needs to be shifted around?

Mr Grabbe—Yes. What it has done is said that we will reduce by five per cent of what is currently developed out there with regard to extractions and that will allow our sleepers and dozers to come to a certain level of development.

Senator HEFFERNAN—Do you think there ought to be a paper trade in water rights?

Mr Grabbe—I can agree with that.

Senator HEFFERNAN—I am on the record as strongly disagreeing with that.

Mr Grabbe—I am aware of that. The trade has to be within a catchment—and in our situation here where we have natural benefits occurring to the flood plain.

Senator HEFFERNAN—Do you think National Mutual, MLC, Macquarie Bank, Swire Hong Kong or Thames London should own water rights in this valley?

Mr Grabbe—No, I do not think that should be the case.

Mr Todd—Could I respond to one question that has been asked that we have not addressed yet, and that is the amount of flow. I think it is relevant to the whole situation and I have some figures here. If we look at the rainfall on a state and the amount of rain that that given state used—and there are two ways of looking at these figures—New South Wales used 56 per cent of theirs, Victoria used 45 per cent of theirs, Queensland used 17 per cent of theirs, South Australia was obviously a negative contributor because they did not have any runoff but they pull some out; and the ACT uses eight per cent of theirs.

Senator HEFFERNAN—This is the Murray-Darling catchment?

Mr Todd—This is the Murray-Darling catchment. If you look at the percentage of the total Murray-Darling Basin on a mean annual extraction basis, New South Wales used 54 per cent, Victoria used 34.2 per cent, Queensland used 5.4 per cent and South Australia used 6.1 per cent. The source of that is Mr Andy Close, the Murray-Darling Basin Commission.

Senator HEFFERNAN—What does that add up to—13,000 gigs?

Mr Todd—That adds up to 100 per cent. If you look over here, the total is something like 13,000. The graph form is very strong: there is the total, there is New South Wales, there is Victoria, and you almost cannot see South Australia, Queensland and the ACT at the bottom. I think that is a significant point. I could give you a copy of that graph.

CHAIR—We would like a copy of that. Hansard obviously cannot record it.

Senator FERRIS—I am interested to explore this issue of sleepers and dozers. On page 11 of the council's submission there is a little chart—and perhaps I will direct my questions to you, Mayor Stone, and you can delegate them to other people as you wish—

Mayor Stone—There are only four pages to the council's submission.

Senator FERRIS—It is the Lower Balonne Community Reference Group's draft proposal. Is that your area, Mr Todd?

Mr Todd—Yes.

Senator FERRIS—Could you take me through this chart with regard to the number of properties that have sleeper licences and dozer licences. What does the reference group think should be done with those licences? Do you have a mind to ask those people to surrender them, with compensation?

Mr Todd—No, certainly not.

Senator FERRIS—How do you think they should work?

Mr Todd—Just quickly, to give a definition: a sleeper licence is a licence that does not have the works installed on the river to use its extractive capacity; a dozer licence is a licence that has the works installed on the river and extracts into a storage that is somewhat less than most people have. The way we have addressed this is that they do not make up a huge amount of the extractive capacity in the area. By having all the other players in the area taking a five per cent hit on their licences so their extractive capacity is reduced by five per cent, we are allowing all these people to come up to a level of being able to extract equivalent to the 30 per cent whole year.

That sounds a bit complicated, but what it really means is that they are here at the moment and a lot of other people are up here and these people come down a bit and they come up a bit. They are not meeting at the same level, but it is something that the community is able to live with. These people are now way better off under our plan than they would have been, because they are going from here up to here and they see that as a fair thing, and the people who are fully installed up here are reducing to allow that to happen. One of the things under our water resource plan is that there is to be no net increase in extraction, so we can allow sleepers and dozers in the game without having a net increase because somebody else is taking a hit and those people have agreed in principle.

Senator FERRIS—This chart shows that there is 51,000 megalitres of storage capacity. That relates to the dozers and the sleepers. Do you have in your minds that there should be a length of time imposed on people who have, for example, sleeper licences to utilise those licences or surrender that section of them? This is a very interesting question for me as a South Australian because we have dairy farmers who have licences on the Murray River at Murray Bridge and, because they have not been using their full capacity, they have traded that water into Victoria so it has been lost to my state. I am very interested to explore how you see the fairness and equity of somebody having a sleeper licence but not using it and being able to maintain it as part of, if you like, their property value and never utilising it.

Mr Todd—That happens in five years maximum, and if it does not happen we are still going to contribute that five per cent back to the river.

Senator FERRIS—What are you going to do to the property owner? Are you going to take it from him or compensate him?

Mr Todd—We are going to take it from him. He has got five years to get his act together or he is out. I would like to explain the South Australian issue, which is a very interesting one. The cap when it was applied to South Australia was a cap to allow them for full development of their existing entitlements, which is quite different to Victoria, New South Wales and Queensland. We had no more licences, New South Wales and Victoria had no more extraction and South Australia had full development of their existing entitlements. So what you are saying about what is happening in South Australia is correct: there is actually a growth factor going on because they are allowed to grow to their existing licence capacity.

Senator FERRIS—So what should happen to the dozer licence?

Mr Todd—Dozers are getting treated exactly the same.

Senator FERRIS—Five years?

Mr Todd—Yes, five years, and whatever level they have gone to—end of the line; no compensation.

Senator HEFFERNAN—If there is an annual trade in a dozer licence, which would be 100 per cent utilisation licence, where does that leave you?

Mr Todd—No trading until they are in the game. The aim of this whole process is to make sure that the players who are out of the game can come into the game and we get no net increase in take out of our river system. So we are trying to do the social harmony and no growth bit.

Senator HEFFERNAN—For the purposes of setting an allocation in a catchment or an aquifer, unlike now where in the Moree aquifer, for instance, 50 per cent are mature licences, 50 per cent are dozers and 50 per cent are this peculiar group of people who thought they were going to become millionaires who have aquifer licences but no aquifer—and so the snapshot through the aquifer gave about a 40-odd per cent allocation because of the dozers and the other blokes—you say that should not be part of that calculation?

Mr Todd—I am not sure that I can comment on people who have no aquifers and that sort of thing because in our system they all have access to a share of the flow under their licence regime. All I can say is that we have allowed them to come in with no net increase to a level that is acceptable to them and the players that are in the game are accepting of the cut that they have to take to let them in the game. That probably does not answer your question.

Senator HEFFERNAN—It is a different regime.

Mr Todd—I think it is different.

Senator FERRIS—Can we go back to the local community here. Is a typical property with a sleeper and a dozer licence, a cotton property or a general irrigation property? Can you give me a snapshot of a typical property?

Mr Rogan—You cannot have a sleeper and a dozer licence at the same place. Either it is starting to be developed with storage capacity attached to it or it has not been developed and has not got extractive capacity.

Senator FERRIS—Take me through two snapshots then.

Mr Rogan—You might have a riparian person with a property on the river and he has had a licence since at least 1993, which was the last time the licences were issued, so it had to have been issued to him before that—

Senator FERRIS—Would he have had to pay a substantial amount for that or would he just be paying an annual licence fee if it is a sleeper?

Mr Rogan—People pay an application fee for the licence at the time they—

Senator FERRIS—What would that have been, for example?

Mr Grabbe—\$150.

Mr Rogan—Yes, \$150 or a nominal figure for the administration of the application of the licence. The only fee that has been applied to water harvesting—because a sleeper licence is a water harvesting licence—is when you are extracting water. As I understand it, the sleeper does not have an annual cost to upkeep it.

Mr Grabbe—Sleeper and dozer licences allow access to river flows after the government infrastructure is full. They are entitlements to develop private infrastructure—you have to build private dams. As I understand it, in South Australia or further down, they are not actual entitlements to water coming from government storage. We have to build the infrastructure, and that is why the extra storage volume is there. You have to build the dam to create the water supply.

Mr Todd—Another point on the price of it is that originally, 10 years ago, the \$150 would have been correct, but somebody could well have paid \$3 million for a particular licence between then and now. So how you would work out the value of it, I do not know.

Senator FERRIS—That is what I am trying to get to.

Mr Todd—If he has a sleeper and he has paid three million bucks, he would be pretty dirty on the world, whereas we are trying to establish a process which allows him to get some value out of that licence, with no growth.

Senator HEFFERNAN—If you were coming up to the end of the five years—the sleeper period—would you not cash in your licence?

Mr Todd—You cannot cash in your licence.

CHAIR—So you would have nothing to show for it.

Senator FERRIS—In South Australia this causes quite a lot of tension in communities. People have entitlements that they do not use and they are built into the value of their properties. Can you finish telling me about the typical sleeper and dozer properties? It is different in every state and it is important that we understand what it is like in Queensland and in this community.

Mr Rogan—People in the community are being caught at different levels of development with their licences. Some people are in the initial phase of their development and may have a smaller storage and a smaller amount of irrigation infrastructure even though they have a licence capacity to take more than that. We are picking a particular point in time which identifies them as a sleeper, as a dozer or as being developed passed the 30 percentile—a nominal figure which people considered a reasonable level to go to. In the St George area, we have had difficulty over the past 10 years in balancing the difference between government storage capacity and people's reliability on that water storage. In the irrigation area quite a lot of people bought into property which had a licence but had not developed the licence—

Senator FERRIS—So they have a sleeper.

Mr Rogan—in order to improve their own reliability. They were going through a process of developing that licence. They purchased that property specifically—

Senator FERRIS—There would have been a value put on that sleeper when they bought it.

Mr Rogan—A substantial value would have been put on those sleeper licences when they were purchased. Quite a lot of them were purchased in the last 10 years. The sleeper and dozer licences were valuable to the community and to the irrigators themselves. They could improve their reliability by developing the sleeper or dozer licence.

Senator HEFFERNAN—If a family bought the place and paid \$3 million, which included \$1½ million worth of water, if the dad had a heart attack and the son got killed on the way home from the pub, would it be unfair in those circumstances for the family to be completely unable to access any compensation for what they paid?

Mr Todd—They would have five years to develop that entitlement as a family.

Senator HEFFERNAN—But would they just have to wear the loss if they wanted to flick it on to someone else because of the calamity that had befallen them?

Mr Todd—Commercially, they could probably sell it. This is fine print. They could sell the property, and the incoming property owner would be allowed to develop to the 30 percentile. That is some of the fine print that the government legal people will put around it, but the concept would be that that could happen. We are saying that every licence gets a crack at getting to this level over five years, and these fellows get knocked off—that is the basis of it.

Senator O'BRIEN—I think the Cullen review, according to your submission, found that the rivers and wetlands of the Lower Balonne system were presently in a reasonable condition but that this condition was expected to deteriorate if the present capacity to extract water from the system were actually to be exercised. Could you give me some more detail about that?

Mr Todd—That is the precautionary principle—that is all he is saying. Mr Cullen stood here in front of this community and also said that he could be 100 per cent wrong with that assumption. There is an expectation that, with an increased take over time, given that we have not had full utilisations of our licences to date and looking at the river systems down south, the health of the river may deteriorate.

Senator O'BRIEN—What proportion of the possible is now being taken?

Mr Todd—Given that we extract only a share of the resource, we have actually probably not been taking as much as we could have out of the really big flows, which are the ones he says are unimportant ecologically. But we have been taking a major portion of the low flows, because that is where the developed infrastructure is. When you talk that one through with him, the expectation is probably not so great that there will be a further great impact, because we have been hitting those low flows roughly to the extent that we can over the past and now, with the

extra infrastructure that has been built, we will target more of the big flows, which is when the Caribous are out to save the animals. He is saying that that is probably not so important.

Mr Grabbe—What we clearly do not say is that there may not be an impact into the future. We do not know; we have got to monitor it. We have come up with a set of rules that modify the way in which we access certain flows in the river system. I guess we are hopeful that that will help mitigate any potential impact into the future. But a part of our proposal is also that in five years time, on the back of the sleeper-dozer deal, it will be time to have a look at the whole thing again to see whether the health has been deteriorating, whether we are trending along as we are now or, in fact, whether we improving the health of the river with the rules that were introduced?

Senator O'BRIEN—Who will you be inviting in to monitor this management system, given that its credibility will be critically important?

Mr Todd—We envisage having government as part of the trust and we would like to see ongoing monitoring funded by government to some extent. Seventy to 80 per cent of the monitoring of the health of the Lower Balonne, which represented the input to the Cullen report, has been paid for by this local community and not by the state government.

Senator HEFFERNAN—How much of that will be impacted by the value of the water? How much do you pay for your water now? What is the trading price for allocation water versus harvest water?

Mr Todd—Harvest water is not as such tradable, but the allocation water—

Senator HEFFERNAN—What do you pay—other than the pumping costs—for harvested water?

Mr Todd—We pay \$3 per megalitre under the new regime that the government has put in. The allocation is roughly—

Mr Grabbe—If it is pumped allocation, it is \$14 per megalitre.

Mr Todd—If you work out the on-river stuff and work out the cost of the infrastructure to pump it, plus—

Senator HEFFERNAN—But if you want to trade water—for instance, in the—

CHAIR—We might not have time.

Senator HEFFERNAN—We are here to find this stuff out.

CHAIR—Senator Heffernan, I am mindful of the time and I do want to go back to Senator O'Brien's line of questioning—and there are other senators who do want to ask questions. I propose that, if you do have particular things that you want the witnesses to draw to our attention, you ask them to take those on notice. Again, we do have limited time.

Senator O'BRIEN—I was pursuing that; I am interested in a matter that Senator Heffernan was raising and that is the price you are able to receive for trading the allocation on an annual basis. I presume you would lease it for a year rather than trade the whole entitlement?

Mr Rogan—The price that people pay depends entirely on the scarcity of the water at the time. When everybody has full dams and there is a full government storage, the price is marginal. At the end of the water when you are trying to save a crop you are going to be prepared to pay more for that water than it is really worth. There is a cost-benefit ratio that people work through. But the amount of water around here—

Senator O'BRIEN—Is it going from a couple of dollars to hundreds?

Mr Rogan—From \$25 to \$150 is my guess.

Mr Todd—On a temporary transfer basis and that allocation to be traded, it is probably worth between \$1,500 and \$2,000 a megalitre. That is the allocation, which does not comprise the greatest portion of the water in the Lower Balonne over time.

Senator O'BRIEN—Could you give us an idea of the volume that is allocated to this region?

Mr Todd—There is 75,000 megalitres of allocation—of government water—and there is a mean annual diversion, if that is the term we want to use, of about 320,000 or 330,000. The average annual flow through Jack Taylor Weir is between 1.1 million and 1.25 million megalitres per year on average. So the allocation scheme is about 75,000, the mean annual diversion is about 320,000 or 330,000 under our proposal—that has all been modelled—and the mean annual flow across Jack Taylor Weir is some 1.1 million megalitres.

Senator O'BRIEN—So about a third of that.

Mr Todd—We are extracting a third of the front end.

Senator O'BRIEN—Is that 1.1 a reasonable measure of the total environmental flow?

Mr Todd—No. The 1.1 is the total flow on a mean annual diversion basis, and that can vary from almost nothing to about four million megalitres. One of the things that is very different about this river compared with your southern rivers is that it is so variable, there is no consistency. We go three years with nothing and then we get four million megalitres, so that makes a one million megalitres average, but that is not easy to manage within an irrigation system.

Senator O'BRIEN—Would that be the same with your take?

Mr Todd—Our take is directly related to the flow, given that we only take a share of the resource. How the windows work is: if it is running at 2,000, a licence might say that you can take 86 megalitres of that 2,000; if it gets up to 8,000, you might be able to get another 86 under your licence. All the licences are structured like that, up through the flow regimes within the system.

Senator O'BRIEN—Is there a document which sets this out for us?

Mr Todd—There is a water harvesting paper—it has some date about it, but basically the principles of how it works are still current. We would be able to make that available to the inquiry.

Senator O'BRIEN—Thank you.

Senator HEFFERNAN—If I am a smarty and live at Noosa, and we free up the licence so there is a paper trade and I buy 10 per cent of the licences in this area because the bank has put a bit of pressure on some of the blokes—and obviously the water licence, as you saw on *Four Corners* the other night, is an easy thing for the bank to snap back—how much do you think they will charge for the water? Bear in mind their profit is the margin. I am trying to dispel this myth that paper trading is going to be good for farmers. Paper trading will be a complete asset stripping operation of farmers.

Senator O'BRIEN—Just ignore the lead in the question and answer the substance of it.

Mr Grabbe—If it does strip assets, the farmer has to agree to having it stripped from him, doesn't he? That is one point I would like to make. You do not sign up to a deal with a gun aimed at your head, do you—or do you? I don't know.

Senator HEFFERNAN—It all depends how much you owe the bank.

Mr Todd—There are certain conditions that could be applied.

Senator HEFFERNAN—A lot of farmers would like to have a choice.

Mayor Stone—One of the fears with this water trading is that if farmers sell their entitlement to water or trade it away they will receive compensation in the form of money, but the third parties and the community who are dependent upon those farmers—what are they going to get? That is one of our concerns. It does not matter if a farmer trades it to another farmer in the same reach of the river, but if it goes beyond that and ends up down in some other area or even interstate then there will be serious consequences for our community. We would be concerned about that.

Mr Grabbe—I agree entirely with what John has said, but you also have to be careful that you are not restricting what is a fair base of business for someone who has an asset. It is very complicated.

Senator HEFFERNAN—But the difficulty is—

CHAIR—Excuse me, Senator. I am mindful that your parliamentary colleague Senator McGauran may have a number of questions. I want to give him an opportunity to ask questions, as well as Senator Buckland.

Senator McGAURAN—I had better make them good questions. My fascination—and it is a bit off the track, I suspect: no-one has asked John Grabbe yet—is with Cubbie Station itself. I

come from Victoria and I have seen the *60 Minutes* program, I have seen the *Four Corners* program—

Mr Grabbe—I did not go much on them!

Senator McGAURAN—and I must admit the Victorian press gave it a fair old belt. It has become a bit of a symbol in Victoria for our farmers to use: ‘Well, look at Cubbie Station—and you’re penalising us!’ So it is probably a good chance—I know we are against the clock—to dispel some of the bad perceptions down south. For example, where do you get your water from: does it in fact affect any Living Murray decision? Why do you get it so cheaply? And what is your view with regard to water trading—if it becomes market price, is that the end of Cubbie?

Mr Grabbe—What was the first question?

Senator McGAURAN—Where do you get your water from?

Mr Grabbe—We get our water predominantly from the Culgoa River—the Culgoa and Balonne Minor rivers—under a water harvesting licence issued by the state government. We also access a small amount of water from the flood plain—water where we have levied our development area on the flood plain, water that would have naturally been lost to soakage and evaporation in that area. We access a little bit of water that way, but predominantly it is from the rivers and predominantly the Culgoa River.

As regards the rate for the water, there have been a few changes since the *60 Minutes* program. Peter Beattie now has introduced a \$3 per megalitre charge on all water harvesters, and Cubbie is no different to any other water harvester in the area—it is just that we happen to have a reasonably large number of properties that all had separate entitlements that were developed. So there is now a charge of \$3 a megalitre on the water. In the development at Cubbie, as is the case with all other water harvesting developments in the area, the infrastructure, the dams, are all privately built. They are on our own land, so we are not tied to any government infrastructure that releases water. I am sure nobody is going to mind if I mention the St George irrigation project. Their water supply actually comes out of a government storage and that is why they pay—as a gravity system out into the area here—\$30 a megalitre for their water, because the taxpayers actually funded the cost of creating the storage and the diversion works to deliver it. In our situation, as with all the other water harvesters, we have spent our own money to create the storage system and the irrigation supply system. So it is \$3 a megalitre for every megalitre we access.

The last question was: what does it do to the Living Murray downstream? We are told, and from the hydrology that I am aware of—and as Ian quoted earlier—the figure for total extraction by Queensland in the Murray-Darling, the whole deal, is five per cent. Cubbie is a part of that five per cent. We are something like a quarter of this particular system. Once you bring into that the Moonie and the border rivers as well, I would say that we would probably whittle down to about 10 per cent, if that—maybe eight per cent—of the total extractions within Queensland, remembering that the total extractions within Queensland are five per cent of the total Murray-Darling.

People who understand hydrology downstream far better than I do would indicate, as I said earlier—and Cullen referred to this in his report, and one of the scientists on the panel with him was Dr Russell Moon, an expert hydrologist—that once you get past Bourke it is not that there is no impact, but once it is brought into accord with the rest of the catchment, with the border rivers such as the Gwydir, the Namoi, the Macquarie, the Bogan et cetera, it is a small part.

Senator HEFFERNAN—So in the long term if the blokes down at Moree—

CHAIR—Senator Heffernan, I am going to have to pull you up.

Mr Grabbe—There was one question from Senator McGauran that I missed, about water trading. Given the situation at Cubbie where we are down on the flood plain, if tradability came in we would certainly be arguing that it has to be very restrictive in that if you are going to trade water, trade the paper and send it to somewhere else—and this is part of our proposal—it has to be done in a way that does not impact on the environment generally or other users. Because of our location on the flood plain and the way waters split, I would think it is highly unlikely that we would be able to trade water away from where we are. The restrictions that would be placed on us with regard to the natural break-outs onto the flood plain would be such that I do not think it would be feasible to do it.

Senator BUCKLAND—I was interested in the knowledge that there is some division within the community regarding water extracted. What are the reasons for that? Is there an overcommitment to users? What is dividing the community?

Mayor Stone—There certainly has been division over a long period in the community, not at dangerous levels. I think the underlying cause of all this is that more water has been given away than is available—that is what I am told. I see Mr Ray Kidd coming in here, and he could give you a much better explanation of this than I can. The division is based between those groups that extract water from St George north and those who are harvesting below. In particular, the group of extractors—the SunWater clients—who are taking it out of the government owned facilities, at times feel as though what is going on in the lower reaches of the system within our own shire impacts upon them. I am certainly no expert on that; that is the popular belief that is put across.

The council and the wider community welcome the fact that science rather than local politics is starting to dictate what is going on. Science is open to continuous peer review, so you need to keep in mind that things could change over time. We do not have any problem with the community reference group plan. In fact, it should happen that way. Community groups should get together and solve their problems in a way that is fair for everybody. I fully agree with that process. I think somebody needs to look at the detail of it to ensure that users of water above and below them are not adversely affected by it. As a general principle, I think it is the way to go. As far as division in the community is concerned, if people can agree on this agreement that the community are working on and are proposing, it is the way to go to control disagreements in the community.

Senator BUCKLAND—How much input do the local government and local community have into that process?

Mayor Stone—Historically, local government has had very little input into it because we have not had the resources to get the expertise that is necessary. You have individual farmers with much bigger budgets than the whole council has, let alone the whole industry. The council has not had the resources. The council has become particularly interested over the last 12 months as the water debate seems to be coming to a head, and its role in this is to protect the views of the wider community, not just the farmers.

Senator BUCKLAND—Do you think it would be more successful if there were greater local community participation in the planning?

Mayor Stone—There is no doubt in my mind, not just with this issue but with all issues, that local government should be involved and their views should be sought, particularly at this level of local government where it is essentially apolitical, not very large and the council truly represents the community. It is a third level of government, it is also a community organisation and it is the only organisation that is democratically elected and has strict rules about how it operates.

Senator HEFFERNAN—Is water in the long term—and I want to get to this price differential—

CHAIR—Can we just finish that particular question and the response to it.

Mr Waters—I represent the Kamilaroi people, but I am just one representative from this area. I have a sister from Dirranbandi, Lenise Cooper, and I have an uncle who comes from Lightning Ridge who is also with this CRG. Historically I can only speak from here to Wynebar, Lenise takes over from Wynebar down, and then my uncle Alan Hall speaks for the lower parts of the Balonne. When this issue first started, I was asked about it by a couple of the businesspeople—I also have a contract business in the cotton industry and I employ up to 30 Indigenous people in the cotton industry—and I believe that the cotton industry has brought benefit to my people's lives. Without the cotton industry we would still be on government support systems and we would still be suffering Third World conditions. It has improved our lifestyle dramatically in the past 10 years.

For myself, I hope I can lead by example. My brother and I started off as a contract business in the cotton industry, and my wife and I have just purchased a hotel in town. We are very proud of what we have done, and we would not have done it without the cotton industry. Through the process there has been a lot of worry about what the cotton industry was doing to our community, but we had to get involved; that was the only way. We could not just sit back and say, 'They're stuffing up our rivers.' We had to get involved, and I am glad I got involved about three years ago. We have learned a lot through the process, and I think the community has learned a lot.

As a community, we were pretty split in the early days of the process because we lacked the knowledge that everybody had, whether it was about what chemicals we used or how the river system was being used—if we were extracting too much water. I have learned a lot in the last three years. I am glad it has happened, because it has brought the community together. I believe in the process of the community getting involved, whether it be irrigators or water harvesters. We have to come together as a community for the benefit of black and white people in this town,

because that is the only way forward. I believe the cotton industry is the only industry that can pull my people out of the conditions that they live in, and I am thankful that we have been given this opportunity to move forward. The less that governments have to do with it, if they leave it to the community to look after the rivers and their communities, you will find us being more accountable and, as a community, we will move forward as a whole.

Senator HEFFERNAN—Is there going to be a point when the water costs of the confined irrigators from the gravity scheme are going to be much higher than the harvesters' and they will be priced out of the cotton market if they do not move to better technology?

Mayor Stone—I will just make a general comment. The way I see things happening is that eventually people who extract water out of the channel system from the government scheme will shift from cotton into crops of higher value. For water harvesters, by virtue of the fact that they just have to be opportunistic when the water is there and grow something, cotton seems to be an ideal crop to grow. I think in this area you will see horticulture becoming more important, permanent crops becoming more important in the areas that extract out of the river, and lower down the system cotton will continue to be grown.

Senator O'BRIEN—In your paper you talk about water efficiency and returning water to the river. Is that where you are seeing the savings being made?

Mayor Stone—The price of water is going to go up, I do not think there is any doubt about that, as it is traded. The fact that water becomes valuable will bring about efficiency in two ways. It will bring about efficiency because if a farmer can save some of the water he uses, he can then sell it and make money. The other way is that the high price of water will make him become more efficient in its use anyway because he certainly does not want to purchase any more. I think this will cause and already is causing a shift, in output per megalitre as opposed to output per acre.

CHAIR—We are more than 30 minutes beyond when the other witnesses were going to appear. There are others that are also here on time constraints and I do not want to be disrespectful of the fact that people have given up their time to be here on this occasion. I know that we do have lots of questions that we want to ask, but I am going to ask that we have some cooperation from the committee and certainly from the witnesses afterwards. Obviously the committee is now going to decide to eat into its lunchtime, but I am mindful now that the group of witnesses currently appearing have been in front of the committee for just under an hour and 30 minutes so I have decided that we will finish on that note. I thank you all for appearing here today and providing your assistance. A copy of the *Hansard* will be forwarded to you as soon as that becomes available. I presume the discussions are going to occur throughout the day in any event, but again I thank you all for appearing.

[12.35 p.m.]

CARSON, Mr David William, Co-Chairman, Smartrivers

LOMMAN, Mr Richard William, Co-Chair, Smartrivers

PRESCOTT, Mr Chad J., Member, Smartrivers

SIDDINS, Mr Tom, Member, Smartrivers

CHAIR—We are now going to hear from witnesses from Smartrivers, which is made up of St George water harvesters and Dirranbandi district irrigators. Is there anything you would like to add concerning the capacity in which you appear here today?

Mr Carson—I am also chairman of the Dirranbandi district irrigators. I am a water harvester and a grazier.

Mr Siddins—I am an irrigator from St George Dirranbandi. I am a director of Cubbie Station and a director of Cotton Australia.

Mr Prescott—I am an irrigator from St George who has allocation water and flood harvesting water.

CHAIR—Mr Lomman, would you like to make a brief opening statement before we go into questions?

Mr Lomman—We sent in an application. Obviously, it was quite a deal of time ago that the applications came in and things have moved forward pretty well from that point. Our submission talked about a few of the problems we have had in the past with the way things were handled out here and, I guess, in a lot of catchments. Without going into too much detail, if you get the opportunity to read that you will understand how far we have moved since this has gone forward with the Cullen review and the CRG, which we fully endorse and most of us been an integral part of. We believe that we are getting very close to being where we need to be. Some of our submission today is going to expand on what our original submission was and talk more about what has happened in the process since then.

There has been a lot of talk about property rights and water trading et cetera. There are 12 or 14 different catchments throughout Australia that are all big cotton growing areas. If you have a look through documents like the Cotton Australia annual report, all their main issues talk about security of water and security of entitlement. That is one of the main things we are about. There are other groups like National Farmers Federation and the Australian Conservation Foundation, who put out a joint statement saying similar things about enhancing security for all, which, as far as water is concerned, is one of the most important things we need to do. Leading into that, I would like to hand over to Mr Prescott to expand on that view. It is one of the areas of expertise that he has.

Mr Prescott—A water licence or water allocation is the basic asset of the irrigation industry. It is what we all depend on. Currently, our water licences, whether they are in Queensland or New South Wales, are held at the whim of whichever government is in charge. If you had the chance to read through our original Smartrivers submission, which we will not speak to, it talks about some of the strife that this area has gone through in the last few years. We have spent hundreds of thousands of dollars getting the science together in order for us to hold our own water. Because of lack of water security, the government has come out on several occasions—the WAMP document was a classic—with untruths in order for the government to do something that is seen to be politically expedient at the time.

I have just handed senators documents containing comments taken from some of the papers that have been printed on this issue recently. One of them is the water plan by the Wentworth Group of scientists, which I am sure you are all aware of. There is the CEOs Group on Water's report to COAG, Mike Carroll's address to the National Australian Cotton Trade Show and the draft proposal of the Lower Balonne Community Reference Group, whom you have just talked to. I want to talk about a few of these documents. On page 2 of their water plan, the Wentworth Group say:

Current systems of access rights to use water lack clarity and, in many cases, are not consistent with natural processes.

On page 5 they say:

Irrigation is critical to the wealth and social cohesion of much of rural Australia, generating half of the profits of our agricultural sector from less than 1% of our land area.

On page 11, the Wentworth Group say:

Many users do not have a formal entitlement to the water they rely on for their livelihood. This results in confusion, uncertainty and legitimate concern over the potential impacts of reform. It is a major impediment to the improved use of water ...

Mike Carroll from the National Australia Bank said:

... farmers and their financiers have relied heavily on there being virtually no precedent of government intervention to reduce a farmer's access to water or to compulsorily acquire a farmer's land without compensation.

This approach to finances is in accord with the basic financing practice of managing funding arrangements with the life of the assets that generate the revenue to service the debt. We have assumed that farmers' productive assets have a perpetual life.

In their report to COAG, the CEOs group stated:

COMMON PRINCIPLES FOR WATER ACCESS ENTITLEMENTS

16. The first opportunity for removing the impediments to continuing the reforms is to establish common principles for water access entitlements. The aim here is to provide substantial certainty and firmness for investment, while at the same time having the adaptability to handle emerging environmental needs.

17. As a first step it is important to reach a common understanding of the nature of entitlements to water. Lack of such shared understanding tends to add to uncertainty, depresses the value of entitlements and discourages investment in high-return activities, as well as creating unproductive conflict.

The CEOs group go on to say:

34. Taking on board the need to balance environmental adaptability with investment stability, the following **Water Access Entitlement and Allocation Principles** are proposed:

A. There is very significant economic value in having stable entitlements to water, but at the same time there must be processes to protect the environment, including needs that emerge in the future. Policy settings should have regard to equity as between consumptive use and environmental health, holders of water entitlements and the wider community (including taxpayers and indigenous people), and current and future generations.

Senator HEFFERNAN—This stuff is on the record. We really want to know what you think. I have read most of that. We want to get a local snapshot. There is no question that the government's view is that there ought to be water security, so we really want to get some local evidence rather than what all the experts around Australia have said, which we can read when we go home.

Mr Prescott—This is the local perception: if we had secure water tenure, we would not have to put up with this shit. If we did not have a Queensland Water Act that can take our water away at the whim of the minister, we would not have to put up with this.

Senator HEFFERNAN—Now you're talking.

CHAIR—If you wish to continue, that is fine as far as I am concerned.

Mr Prescott—Secure tenure of water is defined by the Wentworth Group on page 2:

- Defining water entitlements as a perpetual share of the available water resource;

On page 12, they say:

Entitlements would be specified as a perpetual share of the available water resource in any season, rather than a specific volume.

We need a consistent system for registering water entitlements which provides the same guarantees and investment certainty as registers for land title.

While I am paraphrasing or taking the words from publicly available documents, this is what we are all saying: this is what we need.

The main issue in every valley in Australia is water entitlement rights. We do not have water entitlement rights; they are held at the whim of the current government. Because of that it has caused distress, the friction in the community—the fighting and the unnecessary anguish that we have. This is not a fit situation to hand on to our sons and daughters to have to continuously fight with government at the end of a WAMP every 10 years for the rest of their lifetimes. If we have secure water entitlements in perpetuity, everything is negotiable. We have future ongoing needs

taken care of by willing participants. If the environment needs some water or a grape grower needs some water, people get together and they do a deal.

The way it is right now, our security is held at the whim of government and we have been lied to. We spend a lifetime, as well as trying to run a business, protecting our water. It is not the way a business should run. For every business in Australia, every business in the Western world, the basis of business is having secure assets. If you are in the stock market, your shares are secure and if you have real estate, the title to your land is secure. You do not have government reallocating the land every 10 years with no right of compensation and no right of appeal. Our water allocation is what our entire industry is based on, it is held by the whim of government, we have no right of appeal and it can be redirected every 10 years. Business cannot function in this way.

CHAIR—I have a number of questions I want to ask you on those particular issues, but before I do that I want to ask whether Mr Siddins or Mr Carson want to make any opening comments.

Mr Carson—From Dirranbandi's perspective, we would like to endorse what the CRG have done. There is pain in there for everyone but you have to balance these things and, at the end of the day, everyone is prepared to take their piece of pain in order to get some certainty to go forward. The most important thing about that document from our point of view is that it is a balanced package. We do not want government to go through and pick out the bits that they like and throw out the bits they do not like, because each bit balances. It has to go forward in its entirety. I know we have been going on about property rights but none of it is going to work if we do not have proper property rights.

Mr Siddins—I would like to build on the property rights part. We do need securer tenure but, having said that, we are committed to sustainable use of the river system. If we buggger the river system then we are not going to have good water to put into our farms and we are going to go broke. We cannot afford to have our assets degraded. For the local communities here, irrigation is the major driver. If you look at the other economies, other towns close by that do not have water, if they have not got a large government bureaucracy such as in Roma or Charleville, there is no resource. Cunnamulla has died and it is happening everywhere. We have an obligation to use the water smartly, we have to use it in an environmentally sustainable way, we have a moral obligation to the country to make the best production out of every megalitre of water and we have an obligation to our local community and our shareholders to do the same.

CHAIR—I want to start off with the first question following on from something that Mr Prescott and I think all of you have emphasised again and again, and that is the question of security of tenure. I know there is the Queensland regime that is in place, but you would appreciate that much of the discussion at the moment is being held between the states and the federal government as part of the COAG process. In terms of the COAG process itself, do you feel that there has been adequate consultation with all of the stakeholders—with people like you? If so, to what degree have you been involved in that; if not, do you think you should have been?

The other thing is: given some of the snippets of what the media have spoken about in terms of what COAG are doing, do you think that they are serious about trying to deal either with the question of defining what water rights are—so that there is consistency right across the board,

across state borders and following the system through—or with what you might be getting as part of the system here in Queensland? Mr Prescott, do you want to respond to that?

Mr Prescott—I think everybody except for the state government CEOs is in concert or thinking along the same lines. The CEOs, time and time again, deny property rights. They say there never were any property rights in water and, according to the rules, this is true. We had licences and they could be changed at any time, and there were ‘notwithstanding’ clauses and everything else. Under the old Queensland legislation, if a licence was changed we had the right of appeal to the Queensland Land Court. Under the current legislation there is no right of appeal.

For some reason, and I do not understand why, every state government bureaucrat that I have talked to seems to think that you cannot have permanent use of water because they do not know what water uses are going to be called for in 10 years time. That is fine; it is just like the way we do not know what use land will need to be put to in 10 years time but we still have secure tenure to land. If our water is needed for something else in 10 years time and we have secure tenure, somebody in the market will come to us and buy it, and we will have willing participants in working out what needs to be done. But the way it is now, the state government takes it away from you with no compensation. To get back to your point, we have the state government CEOs saying one thing; we have the entire rest of the nation saying something else.

Mr Carson—The consultation process in Queensland was not very flash. My understanding is that there was one meeting in Brisbane, and they certainly had industry representatives—there was Cotton Australia and QFF; there would have been five or six, I think—but it was more of a lecture from the CEOs to the industry as to ‘Why we are doing it this way.’ I must say I was enlightened to see the changes in the second paper as compared to the first paper. The first paper was horrific.

CHAIR—As a follow-on to that: you have heard what the CRG have been saying about the events based management approach. In terms of trying to create that sort of framework and attitude, does that provide certainty in dealing with some of the issues that you see as being crucial—that is, is there an opportunity to raise those issues to get a response from governments in agreeing that there be some certainty in relation to how title can be used? Or is what the legislation does not currently cater for always going to be something that is an uncertain part of the way that you do business?

Mr Lomman—I think what David Carson said a while ago is very important in addressing that, and that is that the thing is a whole package. If the whole package is accepted as we have put it, all those contingencies are allowed for. We understand that we are in a variable situation: we understand that in some years we are not going to have much water to do anything with; in other years there is going to be an abundance. Provided that the whole package is taken as it is and down the track, as Chad said, if they need water for something else, we are compensated for it or it is purchased in a normal market situation, I think we can get it so everyone is not necessarily happy, but comfortable that it is a fair system. I think we can work forward from that.

Mr Carson—The CRG recommends that these water entitlements become proper licences over a period of time. In Queensland it will still be, under the existing legislation, a 10-year period. What we are saying is that it does need to be in perpetuity. That is something under the Queensland act that needs to be changed. It is just not going to work in the long term if we

remain in that 10-year period. The bankers say it louder than we do and better than we can. It is not just a case of 'greedy old irrigator'; it is just a commercial, economic fact of life that cannot be got around. That issue of the licences being in perpetuity is something that does need to go on from where the community reference group have left off. Those licences need to be in perpetuity.

Mr Siddins—There are always going to be differences between different valleys and different climatic regions as to how reliable it is and all those sorts of things but, at the end of the day, everyone needs some security—the environment, irrigators, the community and the businesses that hang off that need some form of security.

Senator BUCKLAND—What are your views about the process being undertaken by the community reference group? What is your view on what they are doing?

Mr Lomman—As I said earlier, most of us have been strongly involved with that. As part of that committee, we helped to get together the document that we have come up with. So we are in agreement with it.

Mr Siddins—David and Richard were actually on the community reference panel. Chad and I were not members of that reference panel but we had input.

Senator BUCKLAND—What efforts have you made to ensure that you have heard from the entire community as to their views about water usage—that is, the non-users.

Mr Lomman—You always find that, when you come up with a proposal, lots of people have things to say against it. Everyone had the opportunity to put forward their thoughts. As members of that panel, we were not necessarily representing a group; we were there for our own expertise in certain areas. It was not a group of people on that panel who were representative of other groups; it was an appointment-type committee that was appointed by the minister. Wherever we could we tried to let people know what we were doing. For instance, we let our Smartrivers people know where we were up to. It was very difficult to get it into the paper because it was always a moving living document that was changing all the time as different things came up so we could not really put our procedures in the paper to let everyone know. It was very difficult to actually expand it out into the whole community and ask what everyone thought. I do not think we would ever have achieved what we have if we had it that broad. I guess the opportunity for the rest of the community is when the draft WAMP gets thrown on the table by government and then everyone will have the opportunity to pull it to bits and either endorse it or speak against it. Wherever we could we tried to involve as many people as possible. We had Ronnie Waters and his people, the council and the three or four different irrigation groups from the area and graziers involved. So we tried to get as many of the local people involved as we could.

Senator BUCKLAND—Did you have any environment groups on it?

Mr Lomman—Yes, we had one or two most times.

Mr Siddins—If you got a list there of all the participants in the group and you were to plot that on a map, I stand to be corrected but I think you would find that there is a reasonable coverage over the Lower Balonne of participants there. It is not for us to make the decision whether that is totally representative.

Mr Carson—At the end of the Cullen review of the science, Peter Cullen came to St George. It was a reasonably widely publicised public meeting at which he presented his report. At that meeting the community reference group that had been working with Professor Cullen at that stage were there to take whatever flak they were dealt out. At the meeting we were asked by Leith Bouilly, the chairman of the community reference group, if we wanted extra members added to the group. There were quite a number of extra members that came on board at that stage of the game and it was well publicised in the media. I suppose that all I can say is that I think that people had a reasonable opportunity to have some input had they needed to, but there are people that disagree with the thing and there always be. It was just as good a run at getting some reasonable agreement from all the stakeholders as you can do. But, as you know, you will always get some that disagree.

Senator BUCKLAND—I agree with what you say, that it might be as good. But there was a comment made earlier that this has to be taken as a total package, and the government should not be able to pick the eyes out of it or take the best parts out of it to suit them. Isn't that really what you are doing: putting together something that best suits you?

Mr Carson—No, I have taken a big hit personally and so have all my members. If you understand what we are all up against out here and you go through the document, you will find that there is pain there for a lot of people, but they were prepared to take that pain in order to have social cohesion and also to get some certainty back into the businesses that we are all trying to operate. That goes for all businesses, not just irrigators—that is, all the support industries.

Senator FERRIS—Could you demonstrate that statement—I do not want to disclose anybody's names or anything—by giving us a case study of the business of a person who will take some pain? It is difficult for us, coming from a long way away, to completely understand the community quickly. Could you tell us of one property that this is going to happen to?

Mr Carson—One property owner who has developed his irrigation potential to probably something like 10 per cent—in other words, he can fill his storages every one in 10 years—will be losing five per cent of the money he has spent so that these sleepers and dozers can come up to that level. As graziers, there will be water that is not on the flood plain that historically used to be there before there was no irrigation that came up—we are losing that. As a grazier, I have lost that but I have some irrigation which compensates me for that. That five per cent is the pain that I am referring to, and that transfers through to the rest of the community in the business that is lost by all the support businesses that rely on it.

Senator HEFFERNAN—The price is \$3 a megalitre for harvested water. At what price would it become unviable to grow cotton?

Mr Carson—I could not give that off the top of my head.

Mr Lomman—You have to attach the cost of the infrastructure to that as well. You cannot take out the \$3. It depends what time of the year the crop is. As Glen said earlier, during the last couple of years you would be prepared to pay \$200 or \$300 a megalitre for it, but you would not want to grow your whole crop on it.

Senator HEFFERNAN—Do you think there will ever be cotton grown in this area under trickle irrigation?

Mr Lomman—There has been.

Mr Siddins—There will be.

Senator HEFFERNAN—What is going to force that to happen in a wider cycle?

Mr Siddins—At the moment we are increasing our water use efficiency through more efficient storages and reducing evaporation. That is where most of our losses are. At some point in time the price of trickle could come down and all those sorts of things and maybe the price of water goes up. Whether the price of water goes up or your margin comes down through lower prices, people get forced into more efficiency and we will end up in trickle, but it might be in 30 years time. At present, we are not losing extra water through flood irrigating; using trickle is not going to raise your efficiency on the soils that we are irrigating in the Lower Balonne significantly.

Senator BUCKLAND—I am interested in the building of levees. I do not live anywhere near a river but I understand a levee can protect a town and houses from flooding. But at some time the water that is diverted by the levee goes somewhere and does something. What effect does that have on what you are planning for?

Mr Siddins—I see you have the Lower Balonne phase 1 study there. In the early days when Cubbie Station started there was animosity about the levees going on the flood plain. The Hon. Ed Casey was the Minister for Primary Industries at the time and we ended up with the Lower Balonne Advisory Committee. Out of that process came the phase 1 study. We put together a set of principles—I think there are nine—as to how you can develop on the flood plain. That study came up with areas you could levy and areas you could not levee. A hydrological model based on the Rubicon model was developed by Connell Wagner. One of the principles is that the water has to maintain its historical path, so you are not cutting water off to your neighbours and that sort of thing. Another principle is that you cannot raise the water inside the boundary of your farm more than 300 millimetres, or 200 millimetres at the boundary. So, to the best of our ability, we have worked through that process.

There is no legislative backing for that at present, but the uptake has been extremely high. When we first did it, the advisory committee went through the whole of the Lower Balonne and anyone who wanted to irrigate had Connell Wagner visit their farms and they came up with the first part of that plan. Over time, we have changed the areas we are irrigating—we found that we were not doing well in some areas or that we wanted to expand—so irrigators have had to go and collect the survey work, take that to Connell Wagner and get that modelled to make sure that it complied with those nine principles.

Senator HEFFERNAN—In the long term, if someone down the river wanted to pay five times what you pay for harvested water to let it flow down in a high river and pluck it out of the river further down, where would that leave you?

Mr Siddins—It depends how much water they are actually going to get. You have to remember that this is a flood plain system.

Senator HEFFERNAN—I understand that.

Mr Siddins—So if they pay five times what I can afford to pay for the water, and they are probably only going to get a fifth of the water because of the natural losses in the system, that is 25 times what I could pay for it—

Senator HEFFERNAN—If we are going to have a free market, as it were, then somehow the harvested water has to be reflected in the free market price.

Mr Siddins—Absolutely.

Senator HEFFERNAN—At the moment it is not.

Mr Lomman—I think there are a lot of questions you are asking which we cannot answer at this stage, not until we see how the process goes.

Senator HEFFERNAN—I am really interested in the trading of water and I think we can learn from the US. What happened over there is that users are prepared to pay \$US500,000 per megalitre for a different use, which has put some people completely out of business.

Mr Siddins—I guess it is a fine line.

Senator HEFFERNAN—I am wondering how we can bring harvested water to market, as it were, without putting people out of business.

Mr Siddins—There is absolutely no difference between harvested water and allocation water. The difference with harvested water is that the landholder has gone and built the dam on his own farm whereas, in general, allocation water is something that comes out of the public scheme. So conceptually there is no difference.

Senator HEFFERNAN—But there is in that if it was to go further down the river and be worth 10 times the amount of money for someone else who plucks it out of the river for a different purpose—

Mr Siddins—But you can say that in the same way for the allocation water. There is no difference.

Senator HEFFERNAN—I realise that. And that is what is happening—for example, obviously the rice growers have a serious problem in the long term with growing paddy rice.

Mr Lomman—I would like to expand on a question Senator Ferris asked earlier about the impacts. A classic example of the impacts was the last flow we had 10 or 12 weeks ago, which John Grabbe spoke about. Every water harvester in the district—and every irrigator of any size in the district is a water harvester, so even the allocation guys are water harvesters—gave up between 40 and 50 per cent of what they would have normally been able to extract out of that

flow to let water go down the system. The document that the CRG have put together details not just the impact on developed people of allowing the sleepers and dozers to come on board but also the impact of allowing flows through for environmental purposes, for the Narran Lakes et cetera. So we are not talking about just that one five per cent impact; there could be impacts every year. We hope there are not. We hope that, in those really big floods when the Caribous are out, we can perhaps get a little bit of that water back, but there is the potential for impacts continuously in the flow-by-flow management system.

Senator FERRIS—I appreciate what Mr Prescott said earlier, but I think one of the difficulties that you have with that as a major input is that it depends on the elements, unlike many other businesses that you referred to. I accept all the principles that you are making and I am very sympathetic to them, but the elements do play some role in your input availability because if it does not rain the regulations are not going to be overruling that, are they?

Mr Prescott—I will just comment on what Richard said with regard to this last event where the flood harvesters lost up to 40 per cent of their entitlement. To put it into context, it was a very small flow and those flood harvesters had been two or three years without a crop. The 40 per cent that was forgone would have made the difference between most of us planting a crop now and not planting any. There are flood harvesters now who have gone three years without a crop. Had we been able to access this whole flow last time, a lot of us probably would have planted some.

As far as Senator Ferris's comments about the reliability go, we understand them very much. We understand that we might go two or three years without a flow on the river, but if we have got a licence that says we can pump 86 megalitres a day when the river is flowing at 10,000 megalitres a day then we want that licence in perpetuity. We can live with the unreliability of it. We were all over 21 when we came here—well, not all of us. That is the system and that is what it is. But when we get a flow down the river and somebody outside the area says, 'We need that for the environment—you guys can't touch it,' that is what we find totally unacceptable.

Senator HEFFERNAN—How do you think that the market should intercept the price of that water?

Mr Lomman—The price of which water?

Senator HEFFERNAN—The price of the 86 megalitres a day that you are talking about harvesting.

Mr Prescott—If I want to buy some, I have to find somebody who has got it and work out a deal with them, just like if I wanted to buy some land, a house or some shares.

Senator HEFFERNAN—Do you think there ought to be a paper trade in that water?

Mr Prescott—Definitely.

Senator HEFFERNAN—So you do not mind if Thames Water from London buys the water rights in this district?

Mr Prescott—Thames Water could come and buy all the property in the district right now.

Senator HEFFERNAN—That is not the question. With a paper trade in water, this piece of paper is an instrument that has a right to water. Are you in favour of the paper trading of water so that a non-user of the water—Thames Water or a super fund—could buy that piece of paper?

Mr Prescott—If that water had to stay in St George and if it was tradable in this area so that it did not have a detrimental effect on anyone here, that would be a good thing. It would allow people—

Senator HEFFERNAN—The water that flows down past Cubbie could be used by someone at Bourke, for instance.

Mr Prescott—No, we are not in favour of that. Physically, the water that flows past—

Senator HEFFERNAN—If the people at Bourke are prepared to pay twice as much for their water as you are here because of whatever, shouldn't a free market say they can buy your water and take it down there?

Mr Prescott—Fine, if somebody wants to offer me—

Senator HEFFERNAN—So if it is a paper traded piece of water and it is warehoused in a bank by someone—

Mr Prescott—Senator Heffernan, whether it is you, somebody in London or anyone else that wants to pay me double what my water is worth or what my land is worth, they can have it. That is just simple business. If you have a car that you like very much and somebody is going to pay you three times market value for it, you are going to sell it to them.

Senator HEFFERNAN—So are you in favour of the paper trade in water?

Mr Prescott—Provided that it is not having a detrimental effect on the other users in the area, I should be allowed to trade my water or buy water.

Senator HEFFERNAN—With free trade in paper water coming to a nationally traded water right—no-one ever seems to understand what it is; I do not understand what it is—how do you restrict the paper trade of water from here to Bourke if it is a bit of paper?

Mr Lomman—Isn't that the job of you guys as a government?

Mr Prescott—We have a local management group who were proposed in the CRG—the community reference group. We have local people, government representatives and community representatives who can look at how that will have an effect on the river here.

CHAIR—In addition to what Senator Heffernan is talking about, I presume that in the normal working of things you would have to make an assessment every 12 months about whether or not something had a value and someone had an interest in it, or presumably enter into a contractual arrangement over a longer period. Would that be the case if someone were interested in buying

your water for twice as much down at Bourke as opposed to here? I can understand what Senator Heffernan is trying to raise in the context of how you deal with a trading system either locally or across the border if you have internal or external buyers and how that might work.

Mr Lomman—If I said, ‘I’m going to sell 1,000 megs down to a guy in Bourke’ and I let it down the river, it wouldn’t get there. It would all depend on what the river is like; whether it is on a flow. If it is dry, it probably would not make Dirranbandi.

Senator HEFFERNAN—The more serious problem is trading it up the river, but if you come back to my point, which Senator Ridgeway makes, if there is a paper trade in water—and some people are saying there ought to be and certainly a lot of people said that it is a river of gold; that terminology has been used—why is it not fair for me at Bourke, given that it is a continuous catchment, to take water out of the St George area? I am not in favour of this, by the way. I do not think there should be paper trade in water.

Mr Prescott—No, because you physically cannot get it from here to Bourke efficiently. There is not a pipeline between here and Bourke. There is a big, wide flood plain that the water spreads out on. It all gets soaked in and evaporates.

Senator HEFFERNAN—Let us just say, ‘To a down river user’.

Mr Lomman—It is a different system. If you talk about the Murray, it might be possible to do that because it is a channel system that has weirs and locks on it and you can probably get the water down there, but we have such a variable system that it is very difficult.

Senator HEFFERNAN—And a certain river level.

Mr Lomman—At certain times, you probably could, but how do you legislate that?

Senator HEFFERNAN—All I am trying to illustrate is that there are some traps in a free and open paper market which the banks, the superannuation funds, Water Wheel—George Gear’s outfit—and all those people think is going to be a river of gold, and they have the potential to asset-strip this district.

Mr Lomman—We have not had a flow for three years. We have not had water harvesting for three years, so there is not much gold here at the moment.

Senator HEFFERNAN—That is a play on words. They are after the long-term capital accumulation. The day-to-day trade, the year-to-year lease of the water is a furphy. What the investment vehicles are after is the long-term capital value of the water. I think that should be captured in the bush, not in Macquarie Street.

Mr Lomman—I think I would agree with that.

Mr Carson—As I understand the process that is being suggested, local government is going to have to sign off on the transfer of these licences if they are traded. To me, that is the safety valve. As I understand it, that has been suggested. I see that as being a reasonable safety valve in that local government is not going to see water taken away from people who would normally

benefit from it. I think it is possible. You do need some safety valves. I know what you are saying. You are saying it will all end up owned by someone in London, but it is possible to prevent that if you have some safety valves in there.

Senator HEFFERNAN—I am just wanting you to say that. There are some people who do not want farmers to say that.

Mr Carson—I just did.

Senator HEFFERNAN—There are some people who think that it should be a free market, like the Australian Stock Exchange, and there be paper traders in it because they want to put depth in the market. I think that is golly wash.

CHAIR—Senator Heffernan, the point has been made with the previous witnesses, and I do not want to labour the issue. I want to go to Senator McGauran, who I know wants to ask a question.

Senator McGAURAN—I suppose my question has been entwined already with Senator Heffernan's questioning, but it simply was a matter of clarification from Mr Prescott. As I understood it, you were fully endorsing the *Blueprint for a National Water Plan* by the Wentworth Group.

Mr Prescott—I do not think we totally endorsed everything that is in the Wentworth Group's report any more than we are endorsing everything that is in the CEOs' paper or in any other paper. What I did want to bring forward is that there is a very common feeling amongst the wide area on the issue of water security. There are some things in the Wentworth Group's report that I probably would not agree with, but I do have substantial agreement with most of it.

Mr Siddins—Such as a national water plan and all that sort of stuff. We really need to get our act into gear.

Senator McGAURAN—Not that there is anything wrong with it, but you are Wentworthers?

Mr Siddins—I would not say that, but there are a lot of things in there that make a lot of sense. There is probably stuff left out that makes a lot of sense as well.

Mr Lomman—I do not know what is in there, so I cannot call myself a Wentworther when I have not read it.

Mr Carson—I would just have to say that, for a group of scientists, they made a lot of sense.

Senator FERRIS—I know hindsight is a wonderful thing, but do you think that, looking objectively at your area and looking at the Lower Balonne, there has been an overallocation of water in the past? Do you think the allocations have been overoptimistic?

Mr Carson—It has been in some areas, but that has already been reorganised. I cannot quote them off the top of my head, but if you look at the mean annual diversions et cetera, we are well within what seem to be reasonable limits in this case. We do need to monitor it. We have no

disagreement with Professor Cullen that we need to see what is going to happen down the track. Somebody made the statement before that all the water had been allocated. If that were the case, the river would not be running over the border. You have to keep these things in perspective.

Senator FERRIS—It seems to me that, as a result of the terrible drought, water has become a favourite topic of conversation, yet it really was not 10 years ago. I just wonder if people might have been a little too optimistic 10 years ago in some of the allocations of the licences, particularly where dozers and sleepers are concerned. It seems to me that they are quite an important issue in this region.

Mr Siddins—I think Glenn said before that we had a moratorium on licences in 1993, and there are hundreds of licences in the pipeline that got held up by that. I do not believe we have had an overallocation. The way we extract—and we will not go into that—has meant that there is some overcrowding in a couple of windows, but we have some local management rules that help us around that.

Senator HEFFERNAN—Do you agree that irrigators in New South Wales have a right to access some of your water?

Mr Siddins—Yes, I think they do.

Mr Carson—And they do.

Senator FERRIS—How long ago was Smartrivers formed, and was it formed as a result of a higher profile for the issue of water allocations in the area? I see it essentially as a user group. Was it formed recently as a result of the focus on water, or is it quite a longstanding group in the community?

Mr Lomman—Smartrivers was formed a few years ago when we saw a lot of the big picture issues starting to come up and when we saw a lot more of the reform happening. We were busy spending all our energy and effort in fighting in a local area and we wanted to get out of that, so we broke away from a group and formed Smartrivers. First of all, we formed St George Water Harvesters and then Dirranbandi District Irrigators got going. As we progressed through that first year, we realised that most of what we were talking about was the same thing, so we joined forces to become Smartrivers.

Senator FERRIS—How many members do you have and are you affiliated with any national group?

Mr Lomman—No, we are an individual group. We probably have between 30 and 40 members at this stage.

Senator FERRIS—What percentage of the number of licences in the area would that represent?

Mr Lomman—Probably 50 per cent or better of water harvest licences. In the Dirranbandi district it is probably closer to 100 per cent. In St George we have two separate groups, and a lot of the allocation holders have smaller water harvesting entitlements and obviously their

allocation is more important to them than the water harvesting. Most of the water harvesters on the river are members of Smartrivers. We have spent a lot of money over the years. I guess when the draft WAMP first came out we realised then that we needed to get our act together to prove a few misconceptions wrong. As a group, we have probably spent over half a million dollars out of our own pockets just disproving poor science and in employing the best scientists to disprove that poor science.

Senator HEFFERNAN—Do any of you have a view on the tradability of water harvesting rights and riparian water rights?

Mr Lomman—Yes, riparian rights should not be traded.

Senator HEFFERNAN—Just to scare you, I had a group of people come into my office the other day who are trying to develop an instrument for water trading and who I argued with very strongly for two hours. They wanted to have included that ‘river of gold’ tradable riparian water rights. There are some scary acts out there.

CHAIR—I thank Mr Lomman, Mr Carson, Mr Prescott and Mr Siddins for coming here today and providing evidence. As I have said to all of the other witnesses, a copy of the *Hansard* will be available shortly for you through the secretariat.

Mr Lomman—On behalf of Smartrivers, I would like to thank the committee for the opportunity of appearing today. We appreciate it. If you need any more information, give us a call.

Proceedings suspended from 1.26 p.m. to 1.41 p.m.

KIDD, Mr Raymond John, Chairman, St George Irrigation Area Pty Ltd

KNIGHTS, Mr John Charles, Member, St George Irrigation Area Pty Ltd

THOMAS, Mr Ian Rodney, Member, St George Irrigation Area Pty Ltd

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear?

Mr Kidd—I am an allocation holder in the St George irrigation area. I also have a ground water allocation on property in the district.

Mr Thomas—I am an irrigator in the St George irrigation area—an allocation holder—and I also have access to water harvesting.

Mr Knights—I am an allocation holder in the area. I have an allocation on the river and I am a water harvester and grazier.

CHAIR—Mr Kidd, would you like to make an opening statement?

Mr Kidd—Thank you. Irrigation in south-west Queensland started here in the St George irrigation area in 1953. It was expanded in the late 1960s and early 1970s when stage 2 of the Beardmore Dam came on stream. That was done by an order in council in 1967-68—documents setting up the irrigation area went to cabinet and the irrigation area was formed. Under the act, as it was then, an ‘irrigation area’ was an area set aside for irrigation. It was clearly defined in the act that the director-general must apportion an allocation to a property deemed to be a holding in an area. It was on that basis that we have allocations.

In the documents that went to parliament setting up the irrigation area it was clear that the intention of the legislation was to provide a reliable supply of water to a designated irrigation area. The purpose of the irrigation area was to prove that intensive agriculture could exist in what was otherwise a low-input farming and grazing area and also to provide drought fodder for the livestock industry. Part of that documentation clearly indicates cottonseed as being a valuable livestock fodder. So it was envisaged from the very early days that the cotton industry would be a major part of the intensive agricultural innovations in this region. To provide stockfeed in times of drought indicates to me that the intention of the legislation was to provide an irrigation area with a high reliability of supply.

In any such scheme that governments set up they have a reliability factor in the design of that scheme which provides crop requirements in around 90 per cent of years—in fact, there is some documentation stating 91 per cent of years. With the course of events that have occurred in the 10 or 12 years since 1988-89, we have seen that reliability factor drop from around 90 per cent to a figure in the low 50s. This has occurred from overallocation of public infrastructure and it has occurred from that public infrastructure being found to be less than its designed storage capacity. In spite of the knowledge the department had prior to 1988-89 the department redistributed, in their wisdom, another batch of allocations outside the irrigation area to riparian

properties up and down the river. This put an unreasonable load on already fully allocated infrastructure.

The community consultation process which was embarked upon in 1988-89 told us that these new allocations would reduce our reliability factor from 91 per cent to 88 per cent. With FOI investigations that we have done since then, we found that the department had information that the system was already fully allocated on the assumption of Beardmore Dam being 100,000 megalitres. We know now that Beardmore Dam is nowhere near 100,000 megalitres—it is perhaps in the vicinity of 81,000 to 82,000 megalitres. So we can see how the reliability factor of the irrigation area has declined. While all this has been going on since the 1988-89 reallocation, we have seen development of private infrastructure storages between Beardmore Dam and the border representing in the vicinity of one million megalitres—it is getting very close to that figure—brought about by new licences and also the collection of water outside the beds and banks of the stream, which are unmetered, unlicensed extractions.

We have been trying desperately for a long time to have our water shortage—our reliability factor—addressed by the state government, which we believe they have a responsibility to do. We have had five ministers in four consecutive governments commit to the building of an off-stream storage to rectify the overallocation in the irrigation area. In fact, one minister even told state parliament that he had built the dam. It did not happen; it has not happened.

As a result of this process, there has been a major transfer of wealth from the irrigation area to riparian properties on the river. That is outlined in a government report known as the Claydon report, which stated clearly that, if those new allocations had gone ahead in the 1988-89, a transfer of wealth would have occurred. Since then most of that water that was allocated—not all of it, but a big percentage of it—to what we call the 470 meg allocations on the river has been purchased back into the irrigation area for figures in the vicinity of \$500,000. People have bought a subdivision on the river to get ownership of that allocation and then have transferred it back into the irrigation area—not to expand irrigation, but to try and recoup their losses. In effect, they were buying back their farm. Other people in the irrigation area—like Ian and John who are with me here—have built substantial storages on their property on land that had been growing cotton and irrigated crops for the last 35 years. They have now spent substantial money securing their water supply because of the failure of public infrastructure.

Throughout this process, the defining of entitlements has been an issue that the water reform agenda has failed to come to terms with. At the first WAMP meetings that we went to some 10 years ago, we raised the issue of defining entitlements in the public arena so that everybody in the water industry and in those subordinate communities would understand and know where people's boundary lines were, if you like—what water was owned and relevant to certain licences. That process has always been deflected and has not been addressed in any of the public forums in which we have lobbied that cause.

In the process of all this happening, we now have a new water act in Queensland—the Water Act 2000. My advice is that the Water Act 2000 does not recognise the savings provisions as they were contained in the old act—the 1988-89 act. Consequently, it may well be that in Queensland we do not have any compensatable property rights to water. This is a great concern not only to us but to the whole water industry. One wonders how this fits into the COAG scheme

of things where there is clear recognition and insistence on compensation for property rights for the water that has to be drawn back for the sake of the big picture issue of the environment.

A question I might ask senators is: is the federal parliament aware that the provisions in the new water act in Queensland—and perhaps in other states as well—have in effect scuttled property rights as we have traditionally known them? Is there a process to alleviate the need for the payment of compensation? If that is the case, it is of great concern to the irrigation industry across the board. It is an area of great uncertainty. I guess it comes back to the property rights issue which, no doubt, you come across wherever you engage in the water rights debate.

CHAIR—We can answer that. This is the first hearing, but I recall from the submissions that the question of what is compensatable has come up in Victoria and, I think to a lesser degree, in Tasmania.

Senator HEFFERNAN—I will give you my answer to that. Craig Knowles in New South Wales—he is a Labor minister—has brought a lot of goodwill to this debate. He is aware that what he has been handed by his predecessors is what they call a ‘brown sandwich’ because it is a complete conundrum. It is exactly as you say—the question they have to ponder is: who is compensatable and who is not? Do you compensate the sleepers? In New South Wales the overallocation is much more serious. We have just as serious an issue with not bringing the plantation forests to account. We recognise the problems of the injustice of not having compensation.

CHAIR—Mr Thomas and Mr Knights, would you like to make an opening statement?

Mr Thomas—I would like to comment on some of the debate that has taken place prior to this. I am an allocation holder who takes water out of a government facility, and the impression came across that I am receiving some sort of handout from the government. I want to dispel that myth—to get access to water out of the structure here, one has to buy into it. You have to buy a property which is capital investment. The only deduction you get is the interest that you might pay on it. Then we pay the \$30 a megalitre fee, which also covers the cost of building it, so there is no handout. We are still in the same position as any other water harvester in that we then have to go ahead and build recycling tanks, water harvest tanks and everything else. So there is no handout there.

The other comment I would like to make is on the process of the CRG. I think it was Senator Buckland or someone who asked that question. I would like to pass comment on it, because I did sit in on one of the meetings. I was not a member of the committee but I felt the process was flawed in that representation from the irrigation area was the eight water harvesters. There was plenty of debate but I felt that, right or wrong, the opinion was not going to get up. I just felt it was stacked.

There were a couple of other points. It did not have recognition of the people who began the industry, who had water rights to begin with and lost water along the way. For example, the size of the dam and extra allocation out of the dam cut into our water rights. There has been no recognition of that as a starting point. Also, when you go down the river massive extractions have taken place in the last seven or eight years, which have created the huge problem. There does not seem to be any recognition of that fact either. There is a whole host of what they call A

and B water, which is basically unlicensed and is supposed to be a starting point for this moratorium, but you can go to the government and they do not know what is out there. There are pumps all over the place with no recognition of how much water they can take out—or a starting point—and I think that is another flaw in it.

Senator HEFFERNAN—Can I clarify that point? You are saying there are unmetered pumps everywhere?

Mr Thomas—Yes, it is what they call A and B licences on the river. It is when it spills out onto the flood plain and you stick a pump on a gully. You can build a couple of Sydney Harbours if you want to; there is no restriction. I do not think there has been any recognition of that. Under this plan, the St George irrigation area is going to be capped. It is the only system on the river that is capped; everything else is uncapped.

Senator HEFFERNAN—With great respect, how then would \$3 a megalitre come into play if there is no meter on the pump?

Mr Thomas—Well, the government has announced that they are going to charge \$3 a megalitre and meter all the pumps, but I do not think they have put a timetable on it yet. That is something that has just come in.

Senator O'BRIEN—I am interested in following up the issue of community consultation. Your submission says:

Contrary to the opinion of the Wentworth group, it is not considered appropriate to permit community groups to make decisions on access to water; as the outcome will be neither economically efficient nor socially acceptable.

That contradicts a number of submissions that we have. I hear what you say about your experience. Is that the basis of your objection?

Mr Kidd—Yes, that is correct. Any committee or group that has some say over someone's entitlement—someone's livelihood—should be a water authority with some statutory format, because they are dealing with people's livelihoods. If you form committees out of local interest groups, you are going to get a weighting in favour of one vested interest and, unless you are in that major vested interest group, you are going to miss out. People big and small have property rights and those property rights must be recognised in some statutory process, and organisations getting involved in that sort of area must have a statutory framework, I believe, and be accountable.

Senator O'BRIEN—Part 11 of your submission talks about the setting of a floor price for water that 'should not reflect costs, but the price necessary to ensure sufficient water for the environment'. I would like you to expand on that and tell us how that fits with the 1994 COAG undertaking to move to transparent water pricing that reflects its actual value.

Mr Kidd—If water is to be drawn back from entitlement holders to the environment by government, I believe it is logical to target the water that is of least value, for obvious reasons.

Senator O'BRIEN—The crop that it irrigates—is that what you mean when you say ‘the water of least value’?

Mr Kidd—Water of least value would be water that goes to the production of low-value crops rather than high-value crops. That would mean that the government purchasing water back for the servicing of the environment would get better value for money at less consequence to the viability of rural communities.

Senator O'BRIEN—You say:

Compensation payments should be based on the minimum charge and be sufficient to permit property owners to “get out with dignity”.

Where would the minimum be struck? Are you talking about the \$3 per megalitre charge or some other charge?

Mr Kidd—I imagine it would be some other charge. I view the \$3 a megalitre as a resource levy that should probably have been attached to all licences and all extractions, full stop, to create funding for administration. We have the prospect of rising salinity. We need a lot of research to be done, a lot of science to be put together, to evaluate the effect of irrigation on the whole river system in the long term. A resource levy—whether it be \$3, \$1 or \$5—across the board would have the effect of raising funds for work that needs to be done on the long-term sustainability of the water resource. Every industry, I think, pays a resource levy of some sort, and it is something that all extractions should contribute to.

Senator HEFFERNAN—So what you are really saying is that there should be an interception by the market in between the price of the harvested water and the price of the allocated water. If one guy pays less for the water and more for the storage on the farm and the other guy pays more for his water but less for the storage because it is allocated water, somehow they have to intercept and strike a market price.

Mr Kidd—The marketplace would determine a water value in terms of a permanent transfer of entitlement.

Senator HEFFERNAN—But the first thing that would have to happen in that process, surely, would be for every pump to be metered.

Mr Kidd—Absolutely.

Senator HEFFERNAN—We have had some bushrangers who steal water down in New South Wales as well.

Mr Kidd—The whole river management system of the Murray-Darling is one of accurate measuring. At different points along that system—as far as the Queensland responsibility is concerned, at the border and perhaps beyond—we need to have credible end-of-valley flow figures. At St George we have Beardmore Dam and Jack Taylor Weir at which in-stream flows can be calculated. You are never going to get a credible end-of-valley flow until all extractions are metered. We have had in the vicinity of one million megalitres of storage built in the last 10

or 12 years between here and the border. A lot of those stores and the pumps that go into them are there without licence, because until now licensing has been deemed not necessary. All of those extractions will have to be metered before any credible end-of-valley flow can be determined. In the hierarchy of licences—which ones should be cut back and which ones should not be cut back—while I believe legitimately installed licences have priority over unlicensed extractions, we have the common law principle which I think they call the first in time principle. Those people who have installed their works in accordance with their licence should not wear any cutback if unlicensed extractions are still operating out of what is in-stream flow when it comes through St George.

Senator HEFFERNAN—Really COAG has to deal with a total audit of the water in the Murray-Darling basin—which I agree with, by the way—before we set up the pie that is going to be sliced up.

Mr Kidd—Exactly.

Senator O'BRIEN—We have been told about the community reference group's event management model for managing the flows of water through this catchment. Does your organisation support any aspect of that model?

Mr Kidd—We have a view on how the event based management model should work and that is on the basis of a nominal and an announced allocation process.

Senator O'BRIEN—What do you mean by 'nominal'?

Mr Kidd—The nominal allocation is a share; your share of the resource. The announced allocation is the amount of water as a percentage of that share that is available at that time, subject to the seasonal availability of water, in other words, how big the flow is or how big the flood event is. You will have a nominal allocation relevant to your licence and depending on the size of the flow you will get an announced allocation of how much of that flow you can harvest.

Senator O'BRIEN—Half a per cent of four million megalitres, or something like that?

Mr Kidd—Something like that. You might have a nominal allocation of 1,000 megalitres and moderate size flood is coming down so your announced allocation of that flow event may be 200 megalitres or something. You could take 200 megalitres out of that flow event and that would permit the water management plan requirements to be met. Every licensee would get their announced allocation relevant to their nominal share of that particular flow.

Senator HEFFERNAN—What is the regulation of the flood now? Is it just the bloke with the biggest pump?

Mr Kidd—The licensed installations have a series of flow thresholds: for example, when the river flow at Jack Taylor Weir reaches a certain figure you can start pump A. When it reaches a higher figure you can start pump B and take the relevant megalitres per day that each of those licences permit you to take.

Senator HEFFERNAN—How do you know whether you are taking the relevant megalitres per day if there is no metre?

Mr Kidd—Those pumps that have been installed relevant to the conditions of their licence would have a metre on them.

Senator HEFFERNAN—You are saying that there are pumps there that do not have metres on them.

Mr Kidd—There would be unlicensed pumps that have metres on them. I do not know how many licensed pumps have metres.

Senator FERRIS—I would like to take you to page 3 of your submission under point 12 where you say:

A need exists for Government to stand in the market place and sell entitlements to water; in order to stop the market from producing water barons and paupers.

Can you expand on that statement? Who would be the paupers?

Mr Knights—This relates to the problems you might encounter if you get full tradability and transferability of water. I can see problems down the track for the environment, irrigation farmers and communities if transferability is not really worked out to the nth degree. With all the processes that are in place at the moment to even contemplate it would be disastrous. There is no problem for some water at the moment but down the track government corporations could come up for sale and whatever else. You could end up with water that is for the St George irrigation area being sold off. That is not an immediate problem; we have some stops and checks in place, we hope. I can see that down the track you could end up with the depletion of water in some areas to the detriment of your local communities if you have this full open transferability of water. It sounds wonderful to have a free enterprise working, but I am just not sure that that is going to give the result we are all looking for.

Senator FERRIS—Could you take me through a situation where you think someone would become a pauper? Are you suggesting that that would be someone who decided to keep their land, sell their water and the water was to go outside of the St George area? Presumably he will have just got a reasonable amount for his water, so what would then turn him into a pauper?

Mr Kidd—We have seen that to some degree in the St George irrigation area as a consequence of the policies applied in 1988-89 where we saw a transfer of wealth from a fully allocated dam when additional water was allocated to other people.

Senator FERRIS—What do you mean by ‘additional water was allocated to other people’? You need to give us a bit more detail because we are outsiders—we are blow-ins.

Mr Kidd—Our public storages here—on the assumption that they were to as-designed storage—were fully allocated. The government in their wisdom on the day decided they should allocate some more water for whatever reason. That created a transfer of wealth.

Senator FERRIS—When that happened what about the people who currently had licences? What happened in the community when that decision was announced? Was there a protest? Did people accept it? How did that happen?

Mr Kidd—At the time of the community consultation process we were told by the department that our reliability for full crop requirements for cotton would drop from 91 to 88 per cent. We were naive enough to believe them. We were told something that was not true.

Senator FERRIS—Was there any science involved in this that you were given access to?

Mr Kidd—We were not given access to it. We found the Mira report during a freedom of information process some time later. The Mira report was done by a chap called Jim Irish of the Mira consultancy in Sydney and he told the government that the system was fully allocated. That report was not presented during the community consultation process.

Senator FERRIS—Then you had a situation where extra licences were given and what happened then?

Mr Kidd—The people in the irrigation area who had lost their reliability to a large degree set out to buy back that water. Some of my neighbours went to properties on the river and basically bought back that allocation. To bring it back they bought their farm back a second time in effect. There was a transfer of wealth and that was outlined in one of the government reports, which we also found under FOI, called the Claydon report.

Senator FERRIS—Then what happened was that those people who had financially overcommitted themselves perhaps lost their farms? I am still trying to get to who the paupers are. You have not got me to a point yet where I understand who is a pauper and why they became paupers. I understand the water barons because my colleague and friend Senator Heffernan has explained that to me very clearly and very often but I do not understand who the paupers are.

Mr Kidd—If a person buys a property with a water entitlement and pays big dollars for that water entitlement because he wants to be an irrigation farmer and then he finds that that water is reallocated and given to somebody else—

Senator FERRIS—Presumably only with his agreement.

Mr Kidd—No, not if it is done as it was in 1988-89. We were told one thing and the truth was another thing.

Senator FERRIS—But did they lost their farms as a result of having to go and buy it back? Who are the paupers?

Mr Kidd—The pauper is the person who is losing money in that process. If water is transferred from one person to another and it creates a transfer of wealth, the person who has had his wealth transferred to somebody else is a pauper because he has lost a lot of money; he has lost his asset.

Senator FERRIS—But he has presumably still got his farm. I thought you were going to tell me that the pauper is the person who, in a bad year, being squeezed by his bank, decided to sell off some or all of his water allocation and then found that he was left the next year with a property on which he could not do what he did on it before and, therefore, he lost his farm and, therefore, he was a pauper. I thought you were going to take me to that point. I understand the point you made about government policy but, I am sorry, you still have not got me to the point where I can see that the fact that somebody might have to buy some or all of the water back that they have lost makes them a pauper. I would have thought they had then consolidated a bigger property as a result of opportunities to do more things on it. Yes, they have got a higher input cost for a while, because they have had to buy some more debt, but they are not paupers.

Mr Kidd—Maybe our definitions of pauper are a little different. My definition of a pauper is a person who in this context has lost money through the exercise. Whether he can afford to lose that money or not, he has lost it—and that makes him a pauper. He is the person who is worse off as a consequence.

Senator FERRIS—It was a valuable discussion from my point of view, so thank you, Mr Kidd.

CHAIR—Before I go to Senator Heffernan, I will come back to Senator Ferris's point just to clarify it. What is important to understand from our perspective is that we need, as part of an evidence based approach, case studies or examples that demonstrate what you say. For me, at least, it would probably come in two parts: one is where you talk about someone who is directly affected as a result of new policies introduced and what that impact is, and the other is in relation to potentiality, if you like. Did they have an opportunity to be able to do more and that opportunity in the future has somehow been curbed or denied as a result of the policy change? You probably cannot answer that now, but if after the hearing you are able to think about things in those terms you are more than welcome to provide us with a supplementary submission or something of that sort.

Mr Thomas—Can I make a comment in response to some of Senator Heffernan's questions about the paper trading of water rights. I think you were saying that you are seriously concerned about it and, like you, I am too. We have got a close-knit little cotton area with infrastructure and everything built around it. Cotton gins and everything are here. I would be seriously concerned if Mitsubishi or someone built a coal mine at Surat, which is quite feasible. They would need 75,000 megalitres of water. They have got an open chequebook. They could close this area down, and I would be seriously concerned about that sort of tradability.

Senator HEFFERNAN—That comes to one of the points I was trying to make—thanks for picking it up. Given that the government is constrained in its view on government storage and allocated water versus the 'let the cocky put up his own storage and harvest it' approach, if that happened at Surat—or whatever the example was that needed a large amount of water somewhere else—at what point should that impact on the harvesters and at what point should that impact on the allocated people?

Mr Thomas—Governments can make any decision that they like. Under the scenario in Queensland now it is a 10-year licence period. At the end of that 10 years they could say, 'Hang on, forget about farming.' They could take the whole lot back without paying for it now and give

it to the environment if they wanted to and if they thought there were votes in it. There is nothing to stop them doing that. That is why we are wanting some form of compensation to be put in place, but it does not want to be such that you can close the irrigation area down, if you get what I mean. I do not know how you do it.

Senator HEFFERNAN—We have got to finish. I have been told to shut up because we have got to move on to the next witness, but do not think you are on your own there. This applies in the Murray irrigation area, the Coleambally irrigation area—the whole lot. By removing a proportion, Rochester dairy farmers have closed a dairy factory there. Because they have sold some of the water from the area, the area becomes commercially and socially unviable.

CHAIR—Mr Kidd, Mr Knights and Mr Thomas, I thank you for appearing and providing evidence to the committee. As I have said, if there is anything supplementary that you want to provide in detail later on, feel free to do that. A copy of the *Proof Hansard* will be forwarded to you by the secretariat once it is produced.

[2.21 p.m.]

BETTS, Mr Owen James, Honorary Vice-Secretary, Culgoa-Balonne Minor Water Users Association

BETTS, Mr Reginald William, Vice-President, Culgoa-Balonne Minor Water Users Association

BUCKNELL, Mr Richard, Member, Culgoa-Balonne Minor Water Users Association

PETERSEN, Mrs Margaret Lloyd, Members representative, Culgoa-Balonne Minor Water Users Association

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear?

Mr O. Betts—I represent graziers and broadacre farming groups.

CHAIR—Would one of you like to make an opening statement?

Mr R. Betts—The committee now has our submission. First of all, thank you very much for having us here. I start by introducing myself. I was born in the St George district in 1928. I grew up in the Nindigully area and gained my scholarship in St George in 1942. I went to boarding school and gained my junior certificate in 1945. I chose to do a commercial course for grade 12, gaining passes in all subjects. I returned home to Nindigully in 1947 and moved to the Hebel district in 1948. I became a Justice of the Peace in 1954. I gained a private pilot's licence in 1956 and owned a light aircraft for 40 years. During this time I flew over most of the area, observing it in drought as well as in floodtime, so I have a good knowledge of the flood plain and the river system from just above St George to well down into New South Wales.

I have walked or rowed a boat over most of the system from just above Beardmore Dam down to just over the border in New South Wales. I have fished most of the area catching cod, yellow-belly, catfish and black bream. Crayfish and shrimps were plentiful, along with a lot of other water life. Now there are no fish or any other water life in our area of the system. It is completely dead. I issue an invitation to anybody to come down to our area and see for themselves. I personally will show them around. Be prepared to spend at least one day, not half an hour like the group that recently did the study of the Lower Balonne.

In years gone by the river at St George would run clear water for most winters. The old hands would remember the old rocky crossing up the top end of St George here where on numerous occasions I crossed the river. This flow kept the rivers flowing down over the border into New South Wales. Now the rivers do not run at all unless a good flow comes, and even then the riparian release is not enough sometimes to give a run right through. Our records—appendix 1—show that in 1996 a flow of approximately 30,000 megalitres a day in St George gave Balgi approximately 600 hectares of inundation. In 1991, a flow of approximately 30,000 megalitres gave us nothing. The Cullen review stated:

... small floods (20,000MI), that would have occurred on an average once a year on the Queensland part of the floodplain and spill onto the floodplain, are effectively eliminated by the present licences and medium flows (60,000MI), which originally occurred about once every two years with substantial wetting of the floodplain, will now become small floods.

We believe this is because there is an overallocation of water harvesting licences—that is, 8,000 megalitres a day flow at St George has an allocation of 13,957 megalitres a day or a 174.4 per cent allocation. These figures appear at appendix 2. This has to be addressed for the environmental health of the river system. With the overallocation of river flows and redirection of flow paths through the banking off of large areas of the flood plain, much of the natural inundation that occurred does not happen anymore. In our case, some areas will never receive beneficial inundation ever again due to water redirection. We predict that, in major floods, water will be redirected down narrow pathways causing it to run deeper and faster and be pushed onto areas that previously did not go under. In the Cullen review, the CRC for Freshwater Ecology suggested this will be detrimental to plant vigour. Salting is also a real concern, as there is saltwater not very deep down. I own a boring plant, so I know. There is already salting above Dirranbandi on old cultivations.

I predict that what has been allowed to happen to this flood plain area will prove to be the greatest environmental, ecological and economic disaster of the last century. According to the Cullen review, the effects from the present day development will not be seen for some time due to the lag period. As there has not been a flood event with the current levels of development, which has been increased significantly in recent years, we can only expect the system to deteriorate further. I am not against development, but it must be fair to all instead of favouring one section and it must be environmentally sustainable. I, as a non-irrigator, feel that I have a property right—and the VG thought so.

Senator HEFFERNAN—In other words, you are the poor cousins in all this?

Mr R. Betts—Yes, a poor relation.

Senator HEFFERNAN—I notice from a couple of rolling eyes in the next row back they do not have much sympathy for you either.

Mrs Peterson—I live on Brenda station at Goodooga. Brenda station straddles the Queensland-New South Wales border on the Culgoa River. It is an official recording station for both river heights and rainfall for the New South Wales Bureau of Meteorology and our records cover the past 113 and 131 years respectively. Over the past 113 years we have recorded 111 floods. Land-holders downstream of Brenda rely heavily on information that we are able to provide. Prior to the extensive development upstream, we were able to predict accurately—within an inch—what the river height would be in a flood situation. These predictions were based solely on the river height at St George. Nowadays, river heights take second place to volumetric releases and, to be perfectly honest, we have no idea what the river might do. A prediction by the New South Wales Bureau of Meteorology in the late 1990s stated there would be moderate flooding at Brenda, and the river was never more than three-quarters of a banker. Professor Peter Cullen's report in January 2003 stated:

... storage capacity on the flood plain had increased from about 90 GL in 1995 to 740 GL in 2001, with more than half of this in the 2001 year.

It does not seem feasible to take so much water out of the river and the flood plain without causing degradation. Allowing people to take A and B type water will only further enhance this problem. The last flood recorded was in March 1999. It is frightening to think what this sevenfold increase of storage capacity will have on the next flood event. Professor Cullen also stated that the panel is concerned that the possible level of extraction will exacerbate damage to the Lower Balonne flood plain.

Since 1986 the river's flow length, volume and regularity have changed dramatically. Prior to the erection of the Cubbie weir in 1986, a release of 1,000 megalitres per day for a total of six days ran water to Weilmoringle. Now a similar release of 12,000 megalitres under similar river conditions does not get to the Queensland border. It takes approximately 40,000 megalitres to run the Lower Balonne flood plain system. The Culgoa River used to supply the town of Bourke with 25 per cent of its water requirements. That figure is now six per cent out of a much diminished total.

During the 1983 flood, Brenda had 108,000 acres under water for 13 weeks. Water in the Culgoa in Brenda was once so permanent that it formed one side of all holding paddocks adjacent to the shearing shed and the homestead. Since 1999 we have had to build three off-river storages for stock water and enlarge the homestead supply. None of these storages has been filled, as they need a flood to do so. Waterholes in the Culgoa regarded as permanent 24 years ago are not any more. Local graziers spoke of the Culgoa running continuously for 12 months and of being able to fish from the Culgoa Bridge while being able to see the bottom of the river. Murray cod were plentiful then, but we know of only three that have been caught since we came in 1979. Rainfall records show that the 1943-47 drought was much worse than the current drought, yet Brenda was never short of water. In fact, the waterhole at the house had never been dry until 1993 and again in 2003.

Stock and domestic flows of up to 730 megalitres create a very shallow flow. It does fill the waterholes, but it fills them with silt as well, as there is no flush to clean these holes out. A release of 730 megalitres was a figure used to trial the flow, but a release of 1,000 megalitres would have to be more beneficial, as it divides evenly down the Narran and the Culgoa rivers. We would like to see these flows reach the Darling and Narran lakes before any water is extracted for any other use.

With such a small flow in the system, rivergums and coolabahs that used to have access to water most of the time now do not. Even the trees on the waterholes have not had sufficient wetting with such short and low flows. The roots of these trees have never had to extend as far as the river bed in order to get water, and they are extremely stressed with very few leaves on them in spite of having a stock and domestic flow in May. The Culgoa flood plain verged on wetlands, and large numbers of birds used the area for nesting sites and habitat with many lignum swamps. Below Brenda, on the flood plain on both sides of the border, we have national parks totalling close to 200,000 acres that have similar water requirements to the Narran Lakes. Properties were taken up and bought on this flood plain because of the regularity of flooding. As a result of the decrease in water, the carrying capacity has been greatly reduced. Hence, the value of these places is also far less. This in turn leads to a decrease in the number of people employed. Rainfall on the flood plain does not have the same beneficial effect as a flood.

Prior to the interference with the rivers—for instance, Beardmore Dam, water storages et cetera—the natural flow of the rivers was sufficient for both the Narran Lakes and the Culgoa flood plains. It should be possible for land-holders on these flood plains to make a living and for the ecology to survive, but if something is not done soon it will not be possible. People who claim that there has been no degradation of the Culgoa are not familiar with its lower reaches and seem to be oblivious to the lag time of the effects of recent development. The flood plain is terribly important for all the reasons mentioned, and we ask that the sharing of the water be far more equitable and that it be controlled federally. Scientific formula acts on the past, and anecdotal evidence encompasses the present and the future. The irrigators upstream will have to make a cut to make it possible for everyone to have a fair go.

CHAIR—Mr Betts, I notice that the submission that you have provided is quite lengthy. Is it possible for you to provide some sort of summary of what it says? Everything that is here will be published as a record of the Senate inquiry.

Mr O. Betts—Thank you for letting me speak. I am rather nervous but I will do my best. I would like to pass around some photos.

Senator HEFFERNAN—You will be pleased to know that I have 20,000 acres on the Lower Lachlan that used to flood but no longer floods, so I understand what you are talking about.

Mr O. Betts—The Cullen review states:

The rivers and wetlands of the Lower Balonne system are presently in a reasonable ecological condition.

It does not state that the system is healthy. It goes on:

But this condition is expected to deteriorate if the present capacity to extract water from the system should actually be exercised.

This is due to the ‘significant lag time before ecological impacts become apparent’ agreed with by the panel and referred to constantly throughout the review.

We believe that other interest groups are taking the Cullen report out of context by stating that the rivers are healthy. The review suggests that they are in a reasonably healthy state. However, the review continues to state that it would be an inappropriate conclusion to assume that the current levels of water extraction are having no particular impact on the health of the rivers and the Narran Lakes, for two reasons. Firstly, the system has not yet experienced the full potential impact of present flow extraction infrastructure, due to increases in diversion capability and recent low flows. Secondly, there appears to be significant lag between when the flow regime is altered and when the biological impact becomes apparent.

We feel that a disproportionately large number of the members of the Lower Balonne community reference group, CRG, have irrigation interests. We feel that there is a gross underrepresentation of flood plain graziers with no irrigation interests, as there are only three, all from New South Wales, out of a group of over 20. While there are some government, Aboriginal and other representatives, about half of the group have financial interests in irrigation. We have no objection to irrigation groups being represented; it is the large number in comparison to other

groups that concerns us. This single issue group has the numbers to block any decision not in its favour.

We believe that the facilitator-chairperson of the CRG has a financial interest in the flood plain and irrigation. Even though the Queensland government made the appointment, we feel that the facilitator-chairperson should be a person who is financially independent of the Lower Balonne flood plain so that all interest groups can feel that they are being equally and fairly treated and that there is no potential for partiality.

To the best of our research there are 1.387 million hectares of inundated flood plain, of which approximately 300,000 hectares are in Queensland and 1.058 million hectares are in New South Wales. Of this, 47,000 hectares are used for irrigated crops and 40,000 hectares for ring tanks, and extra is banded off for type A and type B potential developments. This represents less than 10 per cent of the total landmass of the Lower Balonne. Why does this area have approximately 50 per cent of the representatives on the CRG? The small group of flood plain graziers who represent the majority of the landmass are in danger of being unheard and ignored by such a large representation of one interest group. Therefore, we feel that our concerns as flood plain graziers have no chance of being heard and fairly treated. We would be happy just to have equal numbers of land-holders with and without irrigation. How was the structure of this group determined?

Senator FERRIS—Do you know how it was determined?

Mr O. Betts—I believe that the chairperson had a large influence and had financial interests in it as well. In partnership with family members, I have grazing properties in Queensland on the Culgoa and Ballandool rivers and Briarie Creek and associated flood plains directly downstream from Cubbie. Of our approximately 18,000 hectares, 12,000 hectares are blacksoil flood plain, as you will see in the photos. We need flood plain to be productive. We believe that large scale water extraction and redirection for irrigation purposes will dramatically reduce the frequency of low to medium flows and hence the size and frequency of beneficial flooding. The Cullen review also confirms that small floods will virtually be eliminated and medium floods reduced to small floods.

Since development began on the Balonne system in 1972, the reliability of the flood plain and hence the productivity of our properties has slowly decreased. We have good records for the last 50 years on carrying capacity DSE from our tax returns which show that, since irrigation development commenced on the river south of St George in 1972, our productivity has decreased by 30 per cent. Our records show that prior to 1972 our carrying capacity averaged nearly 7,000 DSE. Since then it has decreased to 4,442 DSE. These are not bodgie figures. They have been recognised in a court of law with our land valuations. They are not anecdotal figures.

Our loss of production is consistent with studies that have been done over the flood plain. One substantial one done several years ago said that in a wet year the entire flood plain has a DSE of approximately 3,277,000 sheep, and that reduces to 2,163,000 in a non-inundated year. When we do get inundated we get two years benefit after that, so we are talking substantial amounts of money.

CHAIR—Do you have much more that you wish to present in this form? I am just wondering whether Mr Bucknell also wants to provide some information. The more you present the less questioning time there is going to be.

Mr O. Betts—We are extreme concerned about A and B water, the bunded off areas of trees and the environment. Thank you for listening to what I have had to say.

Mr Bucknell—I will take you through this as quickly as I can. As a little bit of background, I always swore that I would never be involved in water politics again after spending many years as the inaugural chairman of the Mungindi Menindee Advisory Council. I resigned from that position extremely frustrated with what we could achieve as advisory committees. However, I was approached to appear before you today because I feel extremely vexed at some of the occurrences that are about to happen on this river. I can see that it is going to be history repeating itself with some of the management plans that are to be proposed.

My most immediate concerns are proposed uses of A and B type waters. A water is equated to a conversion of three megalitres per hectare of bunded land. Bunded land is that which is on the flood plain which has a bank around it to prevent the flood water from encroaching on it. The claim then is that the land-holder is entitled to the volume of water that would have been absorbed into the flood plain had it gone over the land. B water is water harvested from an overland flow. This effectively means diverting any water that is not in a designated stream. As described in the draft Lower Balonne Floodplain Management Framework, it is that portion of flood water that is other than type A, which effectively means all the water that you can get as fast as you can get it. The creation of the A and B water extractions is nothing other than a backdoor way of creating new water entitlements and legitimising the excessive use of flood plain flows.

I also see a major equity situation here. There are many embargoed licences, as we heard earlier. If we had A and B type waters, as is proposed, turned into entity licences, I think that the equity of these people with applications would be eroded, and I actually think there is a major legal problem looming there because the embargo people should have preference. All the river management plans, I believe, should pay due recognition to existing water licence entitlements. The advent of A and B would have the effect of defranchising all those water users downstream. I have had statements to support this from irrigators within the region. Overland flows are presently harvested, but the management of these floods is made extremely difficult because it is not possible to quantify the amount of water that is taken off the flood plain by these types of extractions.

It is difficult enough at the moment with the management. There are 37 different configurations, I believe, of licensing scenarios. These are directly related to the height of a discharge at the St George weir, which triggers a usage of megalitres per day on that specific pump. To have another three different categories of water laid over the top of this already complex situation will make management of the river system extremely untransparent and very difficult to understand for the people. If you do not have harmony of understanding of what water is being used within the river system, communities get extremely upset, I can assure you.

The proposal shows no understanding of the shape of the flood plains with this harvesting of B water. As we were saying, it is water that is harvested as it goes over the flood plain. At the

moment, as you saw on the map we had earlier and we alluded to, this river spreads, goes back in together, spreads again and goes back in together. Therefore, water started off in a flood channel. This was alluded to by a previous speaker. We were seeing that the water all starts coming over the St George weir. So to say that you have flood water which is accessed by this B stuff is a bit of misnomer, because when is it flood water: when it is going out and coming back in again? I would say that that has to be treated as a continual flow of the river system, which is not being done at the moment under these common law rights for access to this B type water. I think that these excessive extractions at the moment are putting the whole river at extreme risk. As we have heard from previous speakers, the essence is management and until we can incorporate and define these licences you have no chance of having effective management of our river system. There are already very large pumps in existence on the flood plain waiting for this B type licence water to be extracted.

The proposal for conversion of ‘historical use’, either actual or implied, of water to a secure water equity based mostly on the size of the storages which have been able to be built so far or the possibility of extraction by the existing water harvesters to my mind is a misnomer and not conducive to an overall program which is manageable. Again, the proposal to convert this A and B water into volumetric entities is a brazen attempt, I feel, to validate these extreme water extractions. It is pertinent to note that irrigators whose areas of development of irrigation match their licences have no need to exploit the dubious A and B waters. Because they are matched already, they do not need to take those extra waters. As I said, they are going to be disenfranchised within the program.

Under the proposal the mere existence of bunded land which gives rise to the creation of these new water entitlements could have a significant dollar value and, if allowed to be tradable as suggested, could lead to serious chaos and environmental damage. The implication that bunding causes no disruption to the flood plain can be seen to be totally illogical, in my book. Flood patterns can be altered dramatically by any earthworks, whether it is a road across a flat or what have you—water hitting anything on the flood plain. It was alluded to that the Wagner report had specific designs for these bunding areas and what have you. I can assure you that they were not adhered to in the way that they were supposed to have been on this river plain.

In conclusion: I have a great deal of respect for the hydrological studies that have been carried out on our system. However, they do not convince me that there is any necessity to adopt either of these types of water into a reasonable river plan. In fact, it is quite the opposite: I think that the wider community would not be comfortable if the manipulation of water entitlements were to progress.

Senator BUCKLAND—The properties of those who rely on the inundation or flooding of their properties would be for grazing in the main. Is that correct?

Mrs Peterson—It is only for grazing with us.

Mr O. Betts—If the water goes over the land, that means that we have a full profile of moisture there for doing dry land farming. There are substantial benefits.

Senator BUCKLAND—We have just been talking about bunding. Is that the same as my term ‘levee’—the bunding is a levee? Are the bundings built in such a way that they deliberately bypass inundation flooding of properties, or is it only in areas where—

Mr Bucknell—Bunding is basically the irrigation developments on the stream. There are a few which are not specifically to do with irrigation, whether it be a cropped area or what have you that they want to protect from inundation. But basically most of your bunding areas are actually irrigation areas that have a bank around them to stop any other floodwater than that which is required going on the land when it is needed.

Senator BUCKLAND—If I have a property that is reliant upon inundation flooding for grazing, such as you people appear to have, and I am on the other side of the bank to a property that relies upon irrigation, I am automatically disadvantaged because the levee or the bunding would be built along the edge of my property. Is that right?

Mr O. Betts—That is correct. They are allowed to go within 500 metres of our boundary, and have done. Some of these bunded areas cover an area of 15,000 acres. On one bund, some property holders have up to 50,000 acres of bunded-off areas with trees in them for the sole purpose of collecting type A water. With the trees in them, what is going to happen to that country that used to get wet and now never will be because it has been turned into an inland desert?

Senator BUCKLAND—Have there been tests on the former inundation areas for the appearance or the emergence of salt or other contaminants in the soil?

Mr O. Betts—There have been some studies done but no results have been passed to the community yet.

Senator BUCKLAND—How long ago did the tests begin?

Mr O. Betts—Approximately a year ago.

Senator BUCKLAND—So it is only a very new thing?

Mr O. Betts—Yes.

Senator BUCKLAND—We took Mr Reg Betts’ evidence and statement earlier on about the time that he has been in the district and his expertise in the area, as I would claim. Have you noticed a marked change in the natural vegetation apart from the trees as a result of the bunding and the leveeing of the river and the lack of inundation?

Mr R. Betts—It is the lack of natural inundation. I could take you down there, which I would dearly love to do, and show you that it is absolutely desperate where we do not get natural flooding. You can go up onto the spot where there is no natural flooding and we still—even after this drought—have the old butts there. You go down within a half-mile of it, where it was flooded regularly, and the ground is as bare as this table—and it will stay that way.

Senator HEFFERNAN—Do you have a bit of a nardoo in that country area?

Mr R. Betts—Yes, in the very heavily flooded country we have a lot of nardoo.

Senator BUCKLAND—In regard to the testing that I was asking about earlier on that Owen Betts was answering on soil contamination and salts, who conducted those tests?

Mr O. Betts—Ed Power from Toowoomba is the person to contact. I can get you his phone number. I would have to go home to get it.

Senator BUCKLAND—You might provide that to the secretariat. Has the government been at all involved in any testing?

Mr O. Betts—I think they may have had something to do with that testing but I am not sure.

Mr R. Betts—They went around and selected spots and in some places they put down two test holes and three test holes in others. I do not know what they found but I could have told them what is down there. As I said, I own my own boring plant. I drilled about 80 holes in the district from zero down to 320 feet and every bit of water I struck was so salty that on one occasion I brought it up here to St George to be tested and they told me to go back and cement it.

Senator BUCKLAND—I really appreciate that. Thank you.

Senator McGAURAN—Mr Betts—Reg—you mentioned the drought. The difficulty this committee have is that we are holding this inquiry in the worst drought ever in Australia, which makes it a lot more emotional and, if not, a lot of the points made to us distorted. You only have to look at the South Australians pointing at the clog-up at the Murray head, which has a bit more to do with the drought than anything else. Senator Ferris—if you are listening—would you agree with me? Therefore, when you showed me pictures of the Briarie Creek, I wondered how much of that is drought affected. What has been your average rainfall over the last five years?

Mr R. Betts—There is no doubt about it, we have had a bad drought. But you can take it from me that this is not the worst drought we have ever had in history. As far as I am concerned, the 1940 drought was far worse than this one, and we blamed the war then. Now we are blaming the area warming. We have had droughts before and the rivers and the flood plains survived them, but I do not think they ever will again if this continues.

CHAIR—Could I follow on from that. I notice in your submission, Mrs Peterson, you talk about the rainfall records showing that the 1943 and 1947 droughts were much worse than the current drought.

Mrs Peterson—I can give you the details right now if you would like them.

CHAIR—My question was going to be more in these terms. Is it possible that there were droughts before 1943 and since that 1943-47 period that were far worse than the one we currently see but something has changed substantially? Are we talking about intensity or pressures that have been placed on land itself in terms of diversification of agricultural practices? Is that one thing that might be taken into account? What I am asking is: if this is not as bad as previous droughts and if we had all of the same conditions as existed in 1943 and 1947, would we have the current problem? What has changed over that time?

Mrs Peterson—In the 1943-47 drought, we still had water. Even though it was a much worse drought, we still had water in the river. We now run a lot fewer stock than we did.

CHAIR—I understand that. I am asking more about what things have changed. In a period of lesser drought, what factors do you see as having substantially contributed to what you now find? Mr Bucknell, for example, spoke about the introduction of A and B type arrangements as one thing that might contribute to extending the water envelope in regard to what you can harvest or extract.

Mrs Peterson—From Cullen's report, the storage capacity on the flood plain increased from 90 gegalitres in 1995 to 740 gegalitres in 2001. That must make a big difference to the amount of water that is coming down the system. It just does not come anymore.

Mr R. Betts—This would come from right the very top of it. If you went up there now and flew over the system like I have, you would see that there are myriad small storages on the Downs and numerous weirs all the way down, which are being raised all the time because they are running out of water. The problem down here starts right up at the top. There is no doubt about that.

Senator HEFFERNAN—There is no question that in this debate you guys are the losers. You argument about the DSE will not stand up because that is your argument and the guys at St George say, 'Shit, we've increased the productivity of this area by 30 times what your few merino wethers would have done down there with paddocks of cotton or whatever.' The point I would like to get to is: do you think, under this warm and fuzzy agreement that everyone in the area has come to out of the Cullen report of what he thinks ought to happen, you are going to be given a better deal? I think in the wider community 20 years ago there was a view that, if you lived down the river, you were a bloody mug for living down the river when you could get the water up there. I think that has all changed now and I think there has been a fair bit of goodwill in some of the irrigators' arguments. I was on Brenda station three weeks ago looking for feed and there was none there—well, there was not when I was there. I just drove through, I might say; I was not trespassing. Do you think you will be given a better go?

Mr O. Betts—Unless we get fair representation on the planning group, we will get robbed again. The flood plain graziers represent 90 per cent of the Lower Balonne and at this stage we have 10 per cent of the people on the CRG group. Is that going to continue?

Senator HEFFERNAN—Have you any idea of what the allocation is going to be to the environment or the flood plain?

Mr O. Betts—If it continues on its present path, it will be very little.

Mr Bucknell—I would like to comment on this. All right, the reaction and the vibes that go around this place are astronomical, because we are actually in a minority and there is a perception, as Senator Heffernan says, that we are the poor relations and we cannot produce as much out of our sheep as they can out of cotton. So there is a community zing about the guys that are making the real money. We have to look at this in perspective, because we need a holistic approach to the river, for God's sake. We do need the graziers down the bottom end—we just cannot turn that into a desert. If we are not better managers and we cannot have an active

input and be proactive in this river management, we will go out the back door. But that will be no good to the irrigators because, as well as I sit here, somebody will come along and say, 'You will pay for the ecological disaster which you have caused downstream, and that will cost you a lot more than your cotton crops.' There has to be a way for these people to work together, and we have to get away from the paradigm at the moment—you control river if you produce the most money. There has to be a better way.

Senator HEFFERNAN—Might is right.

Mr Bucknell—Yes. As we are alluding to the numbers on these organisations, if they actually have the right approach to the thing, it is possible to work together and actually create a better management tool.

Senator HEFFERNAN—I think the 'might is right' argument is dying, because the wider community sees your case better than they did in years gone by.

Mr Bucknell—We are going that way, yes, but we have to finesse it.

Senator HEFFERNAN—You said that you were underrepresented et cetera. I would like to think that you would know that you will be fairly represented by this committee, as will everyone else. I am unaware of where the point of entry to the aquifer is. Is there any aquifer entry through your flood plain that is declining?

Mr Bucknell—We have a bore drain at our front grid. Two weeks ago the guy came and tested the thing and, yes, we have bad results there. At 32 feet we have water that is saltier than sea water.

Senator HEFFERNAN—One of the hidden effects of the harvesting of water could be the rising salt because of the hydraulic effect of the lack of entry into the aquifer.

Mr Bucknell—There are better ways to manage our grazing country. At the moment I am working with the New South Wales government on strategic grazing planning trying to work out how we can actually contribute more biodiversity. Traditional grazing programs, as with irrigation, are a mining process. You alluded to having to be able to borrow more money against water. More money means more debt, which means more exploitation. You see it across the world in every form of agriculture—as soon as you generate more equity, you generate more debt, more progress and more exploitation of the resource. We have to learn to be productive within our resource base and not to exploit it or to mine it.

Senator HEFFERNAN—Do you have any idea of the amount of water which you consider to be a fair thing for the environmental flow—to keep your country in order?

Mr O. Betts—Only for the environmental flow or for the flood flow?

Senator HEFFERNAN—Flood flow.

Mr O. Betts—If you work on the model of three megalitres per hectare of inundation and there are 1.387 million hectares of wet flood plain, that would be 4 million something megalitres to wet the flood plain.

Senator HEFFERNAN—How do you then argue the financial merit of all that?

Mr O. Betts—If you look into it closely, when the flood plain is wet and it has got a 3,100,000 DSE, it is earning far more than the 47,000 green hectares up here.

Senator HEFFERNAN—I am trying to find the solution to this because on the Lower Lachlan we have got exactly the same problem.

Mr O. Betts—So that is really not an accurate argument. Sheep at the moment are worth \$100 a head. You multiply that by three million one hundred and whatever thousand and it is far more money than 47,000 hectares.

Senator HEFFERNAN—There must be some middle ground. And the answer to Senator Ridgeway's question about the years, as you rightly pointed out, is that you can go through a full-on drought of two years if you have had a full-on flood three years before without losing any skin.

Mr O. Betts—That is correct. We get two years benefit—minimum—out of inundation.

Senator FERRIS—I am trying to come to grips with your comments, Mr Reg Betts, in your letter to us about Professor Peter Cullen. Professor Cullen seems to be a villain or a hero, depending on your point of view, all over Australia. But I notice your comment where you say, 'I just cannot understand how he could come out here and say the lower system is not degraded,' and then you go on to talk about why you think it is degraded. Why do you think that happened? Do you think it was the time of year or is there some scientific expertise not available to Professor Cullen? How could it be that someone so eminent could get it so wrong, in view of your years out there and your on-the-ground practical expertise?

Mr R. Betts—That is easy to answer: he never had a look at it. He came down there to us and he had these two freshwater ecologists with him. Surely they would have come and had a look at the river. They gave us half an hour. I was taking them towards the river, we got down to the end of the first paddock and the chap who was running the show said, 'This is it—we've got to turn around and go home.' Yes, I shake my head, too—really and honestly I do.

Senator FERRIS—That evaluation is the basis of so much.

Mr R. Betts—Yes.

Senator HEFFERNAN—Your country is completely buggered, from what I could see of it a few weeks ago.

Mr R. Betts—Not all that. I would like you to come down and have a look because you can see, as plain as anything, the country that does not get heavily flooded—

Senator HEFFERNAN—That is the country I am referring to: the flood country that no longer gets flooded is buggered.

Mr R. Betts—It has deteriorated. As I say, I feel it will finish up virtually a desert. It will not be sand, that is for sure, but it will grow nothing.

Senator HEFFERNAN—Or a national park!

CHAIR—As there are no further questions, thank you all for appearing here today and for your evidence. It has been very encouraging to hear the alternative views.

The representatives from Cotton Australia will no longer be appearing, so I am going to ask the representatives of the council of the Shire of Brewarrina to appear now. We will then perhaps have an opportunity for some people to make statements if they want to. I am also going to invite the mayor to say a few words, if he chooses to, on the occasion of our visit here.

[3.10 p.m.]

HAGARTY, Mr Maurice Francis (Bill), Special Representative, Brewarrina Shire Council

CHAIR—Welcome. Do you have any comments you wish to make on the capacity in which you appear? Then I invite you to make an opening statement.

Mr Hagarty—I am a grazier from the flood plain in New South Wales and a member of the CRG, but today I am representing our local council, the Shire of Brewarrina. I have lived in the district, down there on the rivers, all of my 68 years. My family have been on this flood plain for about 105 years. I can remember the condition of these rivers when I was a kid: there were fishing holes there that never went dry. No-one knew how deep they were, even on the place where I was reared. I went back there 10 years ago and the holes were a foot deep. The water is not getting through; they are not getting flushed. They are silted up.

The Brewarrina shire, while welcoming the proposed changes in the draft CRG report, has concerns. The biggest concern is that, in my opinion, the scientific evidence used in the Cullen report is outdated. That scientific evidence emanated from the time when there was last water in the rivers, and there has been virtually nothing now for 2½ years. Even Professor Cullen was adamant that there has to be a catch-up period. Ecologically, it could be 40 years. So that is of great concern to our shire. Socially, the shire sees the loss of productivity on the flood plain because of the lack of water. It has been said here today about flooded country that if it is not flooded it is just no good anymore. There was mention made of the different types of grass that grow. Well, if you get a flood you get a completely different scenario to what you do even if you get rain which virtually puts it under water. That loss of productivity means loss of valuation. I know, in my own particular case, even as long as five or six years ago I challenged an unimproved capital value and had it reduced substantially. My only ground of objection was the fact that the water was no longer coming through, and that has been many times exacerbated since.

Speaking for the shire, one of the greatest concerns down there is that loss of productivity. It means loss of UCV, which means our rate base factor goes down, so our income goes down and so we cannot service our ratepayers. I have a vegetation map of the shire here. All the yellow on it is grassland flood plain, and that—the coolabah type of thing out there—is the Culgoa National Park. As you can see, there is a good third of the shire that is badly affected. So, as well as what it is going to do to the finance of that shire, there is also a domino effect going to go on there. There is less work being done on the places—people cannot afford to do it. People are selling out; they have amalgamation and there is another family gone. There is less work for men—shearers and what have you—so the value of the houses in the town goes down. People leave the town.

That shire down there, with all the rivers through it, services a township called Goodooga, which is of a few hundred people. There is a strong Indigenous representation there. Brewarrina is getting up towards a couple of thousand and it is also strongly Indigenous. There is a village called Weilmoringle on the Culgoa itself. That is an Aboriginal settlement that has been here as long as I can remember. A lot of the Indigenous people are leaving the area. They love the river.

The river is their lifeblood; it is their way of life, and they have just about had enough. A lot of them are bailing out. I know a lot of dark people you can find down there in Newcastle; they are not in Brewarrina or Goodooga—they have gone.

The Connell Wagner report of 1994 had a set of guidelines for the running of the river, but it seems to have been completely ignored. Twenty-five per cent of the water that went past Bourke came down this intercepting stream, but there is very little of it now—they say it is now about six per cent. That is not six per cent of what used to be 25 per cent. The 100 per cent has probably now diminished to 60 per cent going down the Murray-Darling, so you have to nearly halve it again and so you are down to very little.

We have a couple of national parks down there which are supposedly the only remaining blacksoil national parks of their type, and they require water. Everyone is making a lot of fuss about the Narran Lakes but we do not want to forget that the Narran Lakes is an ephemeral lake and get too carried away and push everything towards the Narran Lakes at the expense of some of our other streams and the national parks. We in our shire have to take a holistic view of the whole set-up over the border because it is a delta—one whopping great delta. It is just at present it looks like a dry delta.

Of great concern to the council down there is A and B water. Plenty of mention of that was made earlier, and rightly so. A water is bad enough, but B water is from when they started taking unlicensed water before the cap. Yes, they set a cap on the licences, but now they want to get in and convert the B water back to allocations. To me, that is creating a licence; that is breaking the cap. I may be wrong. Anyway, they are allocating it not from a known fact; as someone said earlier, it is only from a possibility. They reckon we are going to get 51 per cent of water over the border into our shire—but 51 per cent of what? That is 51 per cent of the total. Half the water goes over the border in major flood events. They do not happen very often but they carry a hell of a lot of water when it is not of any use to anyone. So if you get back to the water that is beneficial to the ecology of the flood plain, your 51 per cent of the total is 51 per cent of 51 per cent and you are back down to 25 per cent—and 25 per cent is a fair sort of reduction, in my book.

Then they go on about the compensation, but how far do you go with compensation? What about flood plain values? What about the villages? What about the Indigenous people? What about the shires? What about the PP boards? Everyone is suffering, so it has to be fairly carefully handled. The Birre shire will see a devastating result if the water is not properly shared. Queensland has mismanaged this water, and I do not think the situation will be solved until water is made a federal issue. Thank you.

Senator O'BRIEN—I was in Brewarrina in the middle of last year. It was pretty dry but I recall talking to one farmer who was talking about inundation and it seemed that it was quite recent. What is the history of inundation in the Brewarrina shire over the last 25 years? Have there been a number of flooding events?

Mr Hagarty—I am not sure of the exact amount. We had a good one in 1991 and we have had a couple of smaller ones since, but the effect is from the medium flow. There are high-low flows and medium flows. They are the ones that spread the water around, spread the money around, keep the UCV up and keep the show going down there.

Senator O'BRIEN—You mean the flow in the river rather than the flooding? Are you saying that the medium events are when the river is flowing at a reasonable level or are you talking about a flooding event?

Mr Hagarty—I am talking about the medium one, about what used to be about 60,000 megs out of St George. That is what we commonly call a channel flood. It runs all the low-flow areas without spreading out across the actual grassland. When you get down there, there are channels that go from, say, the Culgoa to the Birrie, from the Birrie back to the Culgoa, from the Birrie to the Bokhara and the Bokhara to the Narran, and they all intersect.

Senator HEFFERNAN—That is what we in the lower Lachlan would call a creek flood.

Mr Hagarty—We call it a lignum flood, a channel flood. It depends on how you define a channel, too, I suppose.

Senator O'BRIEN—Does the shire keep records of those events? Are they able to be supplied to the community so we can have a look at them?

Mr Hagarty—They have records of the river heights. I do not think they have any of these rivers. They have records of the Goodooga gauging stations but the water resources people would have proper records. I do not think the shire have any records about how far things have flooded out or what the benefit of each individual event was.

Senator O'BRIEN—The recollection I have of being in Brewarrina is that at the time there was drought and no cotton, and a lot of Indigenous men were down by the river bank because there was no work. That is a tension. Industries that rely on irrigation employ some of the males and females in the community.

Mr Hagarty—Unfortunately, the irrigation area is nearly non-existent down there. There were two or three licences down there but they have been transferred to Bourke. There is only one still left there.

Senator O'BRIEN—I presume they were going elsewhere for the work.

Mr Hagarty—They just take the water and leave it as dry land, then. That is bad for the town and district.

Senator O'BRIEN—What does the water debate mean for developmental opportunities from agriculture in your shire? What are you actually asking us to do?

Mr Hagarty—There is not much potential for irrigation down there out of this stream because there is just not enough water going down. We are just looking for a return to somewhere near normal to look after the health of the river and the flood plain. It is not about getting water for irrigation out of this system. We realise the water is just not there.

CHAIR—As a follow-on to Senator O'Brien's comments and the statement that you made in your opening remarks about the impact upon Brewarrina as one example, is the local government body doing anything, either research or studies, to look at the social and economic

impacts of the change in water availability? Presumably, you have had industries that have been there historically that have either declined or disappeared completely. Have those been recorded and are you able to provide something to us to demonstrate the impact of the lack of water?

Mr Hagarty—I do not know of anything. They are starting little schemes and those sorts of things to create employment. There does not seem to be any opportunity down there for other industries.

CHAIR—Have other traditional industries disappeared completely?

Mr Hagarty—No, they are still there but they are diminished because of the lower productivity—the land is less capable without the water.

Senator FERRIS—If I can follow on from the previous two sets of questions, you have painted a very bleak picture of your region and I am wondering if there was one catastrophic event or one piece of legislation in your life experience in your area that has brought this about, other than the drought? What is it that has suddenly brought about the circumstance that you have come here and explained to us today? Has it been a slow drift?

Mr Hagarty—The advent of upstream development that changed our flood plain.

Senator FERRIS—Was it the increase in the allocation of water licences in 1988 or whenever it was?

Mr Hagarty—When the dam first went in, the irrigation area was started. That did affect the river but not badly, it was still going all right. When there were those other allocations within the scheme that had a minor effect. But the big effect has been the flood plain water harvesting. What is really frightening us now is the fact that it is going to be further exacerbated by the use of this type B water, which is pre-registration non-licensed, post-registration allocation. All this bunding is blocking the flood plain. The bit of water that is left has nowhere to go. It can partly get through but it is certainly restricted. Then you get the fluxing effect, whereby you get water up to a higher level over flood plain in the constricted areas than the same water would have been prior to the development. So you have a danger there, and also faster moving water. But the restriction to the flood plain is the real objection to the bunding idea.

Senator FERRIS—Do you see that as potentially bringing about the demise of your area?

Mr Hagarty—I would not say the demise, but it is going to knock it about somewhat. It is going to knock the town about because there are going to be fewer people here, and if there are fewer people there is less work, less money and less town. That is the way I see it.

Senator FERRIS—That means the same thing really, doesn't it?

Mr Hagarty—Yes. It looks bleak to me because I have memories of when it used to be a lovely little town. I always reckoned I would like to retire there. I wouldn't now. It has got the staggers.

Senator HEFFERNAN—I would like to recall a witness to try to clarify the issues of, as someone mentioned earlier, the graziers, the A and B water and the water that is now about to be turned into an allocation as if it were a right, because it is the right to have the water that would have flooded your country that you have locked off your country. You could say—which might be unfair of me to say—that the decision to lock off naturally flooded country to get a water right or to get access to some water that could go to a higher value in a way says, ‘Bugger the environmental outcome on the country we lock out, because it is natural flood country.’ In a way that country that is locked up for that purpose—your higher flood country down there as opposed to your lower flood country—is in the same situation, so it is a double whammy as it were. That decision not only environmentally puts at risk country that is locked up to gain the water right but, at the same time, by harvesting that water it completely does in the environmental side of the higher flood country in your flood plain.

Mr Hagarty—The biggest damage is the blocking-off effect of the flood plain, not allowing the natural flow. Our country is just going backwards because it is really banded by the bunding upstream. No water gets to it.

CHAIR—Thank you, Mr Hagarty, for appearing and providing assistance to the committee.

Proceedings suspended from 3.28 p.m. to 3.46 p.m.

GRABBE, Mr John Friedrich, Member, Lower Balonne Community Reference Group

SIDDINS, Mr Tom, Member, Smartrivers

CARSON, Mr David William, Co-Chairman, Smartrivers

PRESCOTT, Mr Chad J., Member, Smartrivers

CHAIR—The committee will now reconvene. Witnesses have been recalled from the Lower Balonne Community Reference Group and from Smartrivers. Thank you all for agreeing to participate and take questions again. We will go straight to questions so we can test some of the comments that have been made this afternoon.

Senator HEFFERNAN—I thought we would revisit these A and B water licences that we have been discussing to see whether the proposed arrangement is equitable. For a start, could you explain to the committee the harvesting arrangements at present—that is, the water which would qualify under the proposed B licence—which are that you can harvest that water once it enters the flood plain, is that right?

Mr Grabbe—I will tackle that slightly differently, so I will complicate it a little more. There are three types of water down on the flood plain. One is the water harvesting licence—that is, the entitlement from government, a licence that we hold to extract water from the streams. That is one type. There are two other types of water that have been determined over a period of 11 or 12 years through this Lower Balonne community process. There was a huge issue about development on the flood plain and the sharing of water on the flood plain. The process was that initially it was determined where you could build structures on the flood plain to ensure historical flow paths et cetera and not impact on water entering other people's properties. That was stage one, and I see there is a copy of that report sitting up there. Stage two of that process was to look at the sharing of water on the flood plain, and that is where this A and B water has come from.

Senator HEFFERNAN—I would like to go to the flood plain to see if the law is an ass. It seems to me that you are entitled, under what is going to be the B water licence, to harvest off the flood plain, is that correct?

Mr Grabbe—At Cubbie we are A operators. We do not take any B water. We lay claim only to the areas that we have levied and to the water that would naturally have been lost in there. That is A water in a flood.

Senator HEFFERNAN—Which is three megalitres a hectare.

Mr Grabbe—No. I have heard that figure quoted. At times it may be three megalitres; at times it may be half a megalitre. It is totally dependent on the condition of the flood plain when you get a flood as to how much water—

Senator HEFFERNAN—Who makes that determination as to how much you can pump?

Mr Grabbe—That determination will be made by government, and if the proposal that we have put forward as the CRG comes to pass, there will be a management trust or group that works with government in making those decisions.

Senator HEFFERNAN—How do you think they will do that? Will they put a probe down?

Mr Grabbe—That is exactly what it will be—more complicated than that, but part of it will be a probe to look at the antecedent moisture content of the soil. As the flood arrives there will be evaporation meters, there will be rainfall meters—

Senator HEFFERNAN—At the present time or under that arrangement you will have metered pumps to do that.

Mr Grabbe—Absolutely.

Senator HEFFERNAN—Are they metered now?

Mr Grabbe—The extraction of flood plain water is currently not metered.

Senator HEFFERNAN—So does anyone know how much water has been extracted from the system in the last 10 years? Does anyone have a record?

Mr Grabbe—They would because there have not been too many of us in our situation at Cubbie. We report daily on what we extract, whether it is from the river or from the flood plains.

Senator HEFFERNAN—Is that just by the hours that the pump runs?

Mr Grabbe—Most of our diversions are by gravity; they are not pumps. So we know by the gravity what volumes have been extracted.

Senator HEFFERNAN—So let us go to B licence—and someone else may care to answer this. The point of law with B is that you are allowed to intercept water that is out on the flood plain.

Mr Grabbe—B is purely a term that we use for water that is not A. So B involves waters running down the flood plain and people putting a pump, a gravity diversion or whatever into the side of the flood plain to access that water.

Senator HEFFERNAN—Would the law be an ass in determining that that is flood water if that water, 10 miles further down the flood plain, goes back into the river?

Mr Siddins—The defining difference between type A and type B is whether it has a net end-of-valley effect. If you are taking type A and you have it matched to the antecedent conditions in that area of your farm that is bunded off and you take that, it should not reduce the end-of-valley flow. If you take more than that type A component then that will turn into type B and it will have a net end-of-valley flow effect.

Senator HEFFERNAN—Just say there is a flood down the river, you could argue that because it has flooded out onto Billy Bloggs's place and goes through there—as it does on mine down on the Lachlan—eventually it finds its way back into the river.

Mr Siddins—Not all of it.

Senator HEFFERNAN—No, not all of it. But how the hell do you know?

Mr Siddins—You can measure it. We have put together a decision support tool that goes some way to calculating all these things, and that will be refined over—

Senator HEFFERNAN—Aren't you in effect pinching someone else's floodwater and their country will not get flooded because you are taking the head off the water for a flood further down the river?

Mr Grabbe—That may be the case—

Senator HEFFERNAN—It certainly is the case on the Lachlan.

Mr Grabbe—All right, that may be the case. It could be the case on the Darling Downs, where you have storages out on the flood plain—

Senator HEFFERNAN—Isn't that a bit unfair?

Mr Grabbe—Those that access that type of water and have built infrastructure based on it will argue that that was their common law right.

Senator HEFFERNAN—Yes, but where does that leave the common law right of the bloke who is on the flood plain further down whose water you are pinching?

Mr Grabbe—What has happened in Queensland and, as I understand it, this is about the only area that is addressing these issues—

Senator HEFFERNAN—But do your arrangements stop at the border? For instance, does the sleepers and dozers arrangement apply on one side of the border and not the other?

Mr Grabbe—It does because the proposal that we have brought together is under Queensland law—it is a Queensland government process. We would be hopeful that the policies that we have come up with could apply to a lot of other places and not just the Lower Balonne because we think they are fairly sensible. Those who are B operators will say that it is their legitimate right as an owner of that land to be able to access that water. I do not know whether they are right or wrong, but I do know that the Queensland government changed its legislation 2½ years ago and was able to bring a moratorium notice down to say there would be no more of that. In my mind, that partly legitimises that these people did have the right to access that water—or why was there a need for a law change to stop it?

Senator HEFFERNAN—I could understand a case being made for the banded water, because obviously if your country absorbs the water you can do anything you like if you have a

tricky enough lawyer. But, with the B water, that really is not your water because it is flooding on your country. Your country is going to take up a certain amount of it. Are you arguing that under the B licence you can take up just what water will be absorbed by your country or an unlimited amount?

Mr Grabbe—It is limited because of the moratorium. People who are B operators have said what they actually extract or are able to extract—so there is a line in the sand as we speak. Whether it is a legitimate type of water may be something that others need to determine.

Senator HEFFERNAN—Do you think there would be a conflict of interest by someone who is proposing this sort of plan? Say they had 8,000 or 10,000 acres of country banded and they are going to become a major beneficiary under this program by being able to get that water right—which would be some sort of wealth creation exercise. If they are actually part of the decision making bodies of government, do think that would be a conflict of interest? There is such a person, I understand.

Mr Grabbe—Is there? I do not know. I do not make decisions—

Senator HEFFERNAN—I am not saying that, nor will I. Do you think it would be a conflict of interest?

Mr Grabbe—I am not sure.

Senator HEFFERNAN—Do you blokes have a view?

Mr Prescott—Peter of the Wentworth Group came up with a statement—I do not have it in front of me here—which said that decisions need to be made by local people with local knowledge, people who know what is happening. Government can set the parameters but local people with local knowledge need to make the decisions. The people with a financial vested interest in it—there would certainly be seen to be a conflict of interest, there is no doubt—probably have a better understanding—

Senator HEFFERNAN—All I am saying is that there might be 1,500 different options for the government. If there is a particular option which a particular person in the decision making process is pushing, which is going to be of major benefit to that person personally—and I am referring to the B water—do you think that should be declared?

Mr Prescott—Definitely, and in the discussions we have had in the CRG or whatever if somebody does—

Senator HEFFERNAN—Have they declared it, as far as you know?

Mr Prescott—Absolutely.

Mr Carson—It went around the table at the beginning of the process and we declared our position and where we were coming from. I cannot remember any secrecy about where we were all coming from.

Senator HEFFERNAN—Some of those decisions, which are going to turn people, for instance, who might have several thousand megalitres of proposed wealth creation through a stroke of the pen of the government—

Mr Grabbe—I think you are referring specifically to a situation.

Senator HEFFERNAN—No. Maybe a person further down the flood plain who is going to miss the water and who is going to be seriously disadvantaged by the decision would see that as a serious conflict of interest.

Mr Siddins—I would have thought that there are only a couple of people here that are going to call the shot on this at the end of the day and they are probably going to be the minister and the—

Senator HEFFERNAN—The government work on advice and political courage of course.

Mr Carson—There still seems to be some confusion around this A and B business. You are talking about someone that has banded off some country and they are going to get an A right.

Senator HEFFERNAN—I am not talking about that; I am talking about the B right.

Mr Grabbe—If it is the person I think we are talking about, they are clearly not a B operator.

Senator HEFFERNAN—I do not want to go into personalities, nor am I going to define whether I am talking about A or B in relation to anyone. All I am saying is that on both sides of this equation there will be major winners and major losers.

Mr Grabbe—There is not a person in the process, whether a grazier or an irrigator, that does not have a vested interest. I know that in any part of the process that I have been involved in, if you have to declare an interest it is declared.

Senator HEFFERNAN—If, just by chance, you are higher up on the flood plain—that is just where you happened to lob or where you were born—why have you got a greater right to B water than a person who is further down the flood plain? How do you come to terms with that?

Mr Siddins—I do not think that anyone has said that they have.

Senator HEFFERNAN—But the physical reality is that if you pump it all out up here it ain't going to get onto their flood plain down there to give them the water.

Mr Siddins—I think the reality is that on Sydney Harbour some people have a better view than others.

Senator HEFFERNAN—But you are on the same flood plain.

Mr Carson—Historically people had opportunities to apply for licences and some of them chose to do it and some of them chose not to do it. Other people—

Senator HEFFERNAN—This B water licence decision has not been taken yet?

Mr Grabbe—No.

Mr Carson—No.

Senator HEFFERNAN—Therefore the time to be arguing about it is now. More consideration perhaps ought to be given to the people who are further down who are going to miss out. In your community consultative group, how much of that argument have you listened to?

Mr Prescott—The water that we have here is not a large amount of water. John might be able to put some numbers around it but, in the scheme of things, the B water here is insignificant. Probably the significant amount of B water is the extraction on the Darling Downs. When you fly over that, there are dams and ring tanks everywhere. It has been seen for the last 30 years as the natural right of the people that live there to be able to collect overland flow and irrigate with it.

Senator HEFFERNAN—The difficulty for me—I do not know about the rest of the committee—is that you have all these grand plans and agreements here but the people over the border have a different regime.

Mr Prescott—To put things in perspective a bit—and this has not been touched on at all today, though I do not want to bring too many new things up—we are now achieving a 51 per cent end-of-valley flow.

Senator HEFFERNAN—Let us clarify that. Is that the mean over a 25 year average from high to low? Someone made the point that 50 per cent of a mean average over 25 years may mean no bloody water in a drought year, and you still have your average.

Mr Prescott—Of course. It is a mean average. John could probably talk more about that than I can, but as a benchmark—

Senator HEFFERNAN—Shouldn't it be equitable? Under this A and B regime, surely a water access right will be—and I do not dispute that it has to be a long-term right—a right to a proportion of the available water in that year,

Mr Prescott—Yes.

Senator HEFFERNAN—The 51 per cent is to sort of paper over—

Mr Prescott—Exactly. That is why the Queensland government brought in a moratorium so there is no further development. That is why the community reference group came together. We have our draft proposal based on there being no further extraction.

Senator HEFFERNAN—Would you agree that, unless there is some harmonisation between the states on this, this whole thing will fail?

Mr Prescott—Definitely. We can have all the best rules here, but if New South Wales keeps putting weirs on all the rivers down there and no pipes to let the water through, all the water we send down will never get there.

Mr Grabbe—It will be extremely disappointing if it does, because there has been an enormous amount of negotiation between all parties on this. We have certainly heard from some today who believe they are more aggrieved within it, but one particular person did acknowledge that they are also winning.

Senator HEFFERNAN—This is just an information seeking exercise. What would you say if I were to lock up, say, 10,000 acres of my country to get some A water, proposed to irrigate 1,000 acres and get the financial benefit of the other 9,000 in terms of harvestable, transferable or cashable water, and I completely destroy the environment aspects of the 9,000 acres and I have a cotton plantation on the other 1,000? Do you think that is a fair go for the country?

Mr Grabbe—I think that would be difficult to accept as a fair go, but I am not sure that that is happening.

Senator HEFFERNAN—Say I had 10,000 acres that was in the flood plain, I locked it up, got the A licence and moved to the Gold Coast and lived off the proceeds. Do you think that is a fair go for the country?

Mr Grabbe—Under our plan, unless you are an existing irrigator, you cannot do that—I thought I should clarify that. I think the person you are talking about is an existing irrigator.

Senator HEFFERNAN—No, I am not talking about anyone. I am just trying to figure out the difference between the environmental—

Mr Grabbe—Under our plan, you cannot do what you have said.

Senator HEFFERNAN—Thanks.

Mr Siddins—There are no type A and B sleepers or dozers. What is out there at that moment is there. To fit the other sleepers and dozers in, some people have taken a haircut. If you want to get rid of all of type B, you have to come up with some compensation because this is real infrastructure out there on the ground and we are not even allowed to say the ‘C’ word up here. You have to go and find something else. We are being told that there is no money at the moment.

Senator HEFFERNAN—Do you think that there should be speculators in the water market?

Mr Grabbe—Define a speculator.

Senator HEFFERNAN—A person who is not going to actually use the water except to trade it for a margin.

Mr Grabbe—If the trading were restricted to a local community where the benefits of the use of that water still supported local infrastructure, I probably would not have too great a problem

with it. If a speculator could take that water and move it away from St George to Adelaide, I would have a huge problem with it.

Senator HEFFERNAN—But you would not have any problem with a bloke who owned the local McDonald's or something, bought 100,000 megs or 10,000 megs and was prepared to take the financial risk and withhold it until he could bump up the price?

Mr Grabbe—So long as the regulations were such that the use of the water was tied to the local area and creating continuing benefits for those local communities, I would not have a problem with whether the bloke from McDonald's or the bloke from Hungry Jack's owned it, quite frankly.

Mr Siddins—He would have to get himself a dam to store it, because he has no dam to store it in; it keeps going.

Mr Grabbe—The benefits of the use of that water have to stay with the local area.

Senator O'BRIEN—We will not use the Costello word here. I want to raise the issue of your impact on the dryland farmers. You have heard the evidence today on the impact of the flood events on country downstream from St George, and historic material was presented to us. I do not know if you saw it, but it was fairly graphic, showing that the history of flood events has significantly diminished since the ongoing operation of the type that the Smartrivers group represents—that is, the option of extraction of water from the river. What is being said is that, unless there is a major flood, the flood events that used to occur downstream on the dryland are not happening. I want to get a response from you as to whether or not that is fair and whether dryland graziers have a case to make as to how you have impacted on their enterprises. What rights should they have?

Mr Grabbe—I do not believe that the impacts are as great as some claim. The impacts on natural flooding downstream—if I speak of the Cubbie development—are definitely not what is claimed as far as I am concerned. I believe we have flood plain models that can prove that.

Senator HEFFERNAN—Can you provide us with those?

Mr Grabbe—Yes, I can.

Mr Siddins—We are certain that they have been impacted. That is a given. As soon as you take water out of the river, there is an impact. There is no doubt about that.

Mr Carson—There is land above the major developments that would look the same as that if you took a photograph of it at the appropriate time. Once again, of course there is an impact. There is always an impact. You can pull photographs from anywhere. I can pull out photographs taken upstream from the main developments that look just as bad, but I know they will rejuvenate.

Senator O'BRIEN—The suggestion, putting it statistically and simply, is that in a small flood event you can take 730 megalitres—or is it gigalitres?—but in a major flood where there are, say, 4,000, you can take only a quarter or 20 per cent into your storage facilities. In a minor

event you can take possibly half, three-quarters or 80 per cent of the flood event and effectively prevent it from being a flood event downstream. That is the way it has been put to me.

Mr Carson—The reference group has addressed part of that issue. I do not think it is possible without annihilating all the irrigation to put it back the way it was.

Senator HEFFERNAN—Should they be compensated?

Mr Carson—We are not allowed to use that word up here—but yes. I do not have a problem with that.

Senator HEFFERNAN—Let us put this way: would their compensation case be equal to that of anyone who is losing allocation?

Mr Carson—You open a can of worms when you start doing that. How far back are you going to go?

Senator HEFFERNAN—That should be in the can.

Mr Carson—I think that Ronny Waters would make the point—

Mr Siddins—Indigenous people should be in the can as well.

Mr Carson—Are you going compensate Ronny's people?

Senator HEFFERNAN—I am not saying that.

Mr Carson—How far back do you go? I am not saying that you should not compensate them, but it is an enormous issue when you start getting into it.

Senator HEFFERNAN—But under the B regime, you are about to exacerbate that problem. You are about to turn your harvesting right into cash, and their deficiency of a flood into a 'too bad for you' scenario.

Mr Grabbe—I am not a B operator, but they could well claim—and do claim—that they have prior rights to that component of water than the rights of St George irrigation area or our water harvesting licensing rights. Maybe one day that will get challenged or tested in court. But that is what we were told—that is their legal opinion.

Senator O'BRIEN—Which river does Cubbie take from?

Mr Grabbe—From the Culgoa and Balonne Minor.

Senator O'BRIEN—Where does that go after it passes Cubbie?

Mr Grabbe—The Culgoa runs down into the Darling River. The Balonne Minor on Cubbie splits into the Bokhara-Ballandool, which rejoins on the border just below Hebel. It splits and

rejoins again. At Goodooga, it splits into the Bokhara and the Birrie rivers. The Birrie runs across to the Culgoa and down into the Darling.

Senator O'BRIEN—I am looking at a map here.

Senator HEFFERNAN—He is trying to follow this!

Senator O'BRIEN—Because you said it before—I understand it much better when I can look at a map in front of me. So they all go into the Darling?

Mr Grabbe—They go to the Darling.

Senator O'BRIEN—Then you have the issue of what gets through to the Menindee Lakes eventually.

Mr Grabbe—We do not impact them, so we are told.

Senator O'BRIEN—Professor Cullen says the water that goes across the New South Wales border is not going to get to the Menindee Lakes?

Mr Grabbe—I cannot quote him, but Professor Cullen's report indicates that the water from us that gets into the Darling River is a small component of water compared to the total flow of the Darling River.

Senator O'BRIEN—Is that excepting in a major flood event?

Mr Grabbe—Sorry?

Senator O'BRIEN—Where there is a significant flood event, then a lot more water would come out of the Balonne, for example?

Mr Grabbe—Obviously.

Senator HEFFERNAN—As a proportion: it would depend on when there was a flood in the New South Wales rivers as well. On that point, we were told that there used to be 25 per cent entry there.

Mr Grabbe—From the Condamine-Balonne? That is the figure that I have always heard.

Senator HEFFERNAN—At present it is six per cent, is it? That is a fairly significant difference given that six per cent of a lesser—

Mr Grabbe—No. Sorry, I was just about to say, the figure of five or six per cent that I have picked up during the day—and that is in the documents we made available to you—is the volume of water that Queensland as a total—that is, Condamine, Balonne, the Moonie and the border rivers—extracts from the Murray-Darling.

Senator O'BRIEN—What is taken out there? Is the proportion of the extraction from the Murray-Darling system six per cent?

Mr Grabbe—From the Murray-Darling, six per cent, correct.

Senator O'BRIEN—What I am talking about is what actually gets through and continues in the Murray-Darling system.

Mr Grabbe—If that figure is right regarding the average we are extracting, that figure would include the As and Bs—however you want to refer to it. If we are extracting 50 per cent of the flows on average, then the 25 per cent component would have dropped to 12½ per cent, would it not?

Senator O'BRIEN—Is there any scientific evidence that you are aware of?

Mr Siddins—We have not seen anything that puts the figure.

Senator O'BRIEN—That is something we should ask Professor Cullen ourselves.

CHAIR—I know that people are going to have views which are counter to the views that have been expressed and we could go on all afternoon dealing with detail. However, if people have supplementary views that they want to put forward, the committee would certainly be happy to hear from them. Putting them in writing is the best way and we will take it from there.

Mr Grabbe—So that tool about flooding on the flood plain—you would like us to make that available to you?

CHAIR—Yes.

Mr Grabbe—It is a computer model that has been developed by the Snowy Mountains Engineering Corporation, by SMEC. I might ask Queensland DNRM to supply that, if that is acceptable.

CHAIR—Yes.

Senator HEFFERNAN—So were you surprised to hear, when Professor Cullen made an assessment of the country that I know well over the border there—that 'it is in fine order' or whatever the words were—that he did not actually visit it? Did that surprise you?

Mr Grabbe—I do not know whether Professor Cullen visited over the border but I know that he had a pretty comprehensive drive around Dirranbandi. I happened to be on the tour with him when we visited the property of an earlier witness and Professor Cullen, as well as his two assistants, did have a comprehensive look at the Lower Balonne within Queensland. Whether he visited over the border I am not aware.

Senator HEFFERNAN—What is the status of the A water at the moment?

Mr Grabbe—Our community reference group proposal is that the A water should be recognised as a legitimate right to water. But the current A water status is that, under the moratorium the Queensland government introduced 2½ years ago or whenever, if an event were to occur you would be able to access that component of water.

Senator HEFFERNAN—But under the 2½ years ago regime, before that, what was the status of that water? Was it a bankable financial right?

Mr Grabbe—Certainly I would suggest that, if you were using that in your models to show the reliability of your irrigation enterprise, the banks would be recognising it.

Senator HEFFERNAN—So you had your land banked off and you had a right to this water, but what legal right was it?

Mr Siddins—A common law right.

Mr Grabbe—A common law right.

Mr Siddins—You have it all over the Darling Downs. There is floodwater taken off the flood plain in New South Wales.

Mr Grabbe—Yes, it was a common law right. It was a legal entitlement to water. The only reason that someone cannot go now and develop that component of water is that the Queensland government has legislated to stop that happening.

Senator O'BRIEN—It is not the only state government that has placed restrictions on taking ground water.

Senator HEFFERNAN—Under the A regime proposed, will you be able to sell that to your neighbour?

Mr Grabbe—I am not sure, sorry.

Mr Siddins—Probably when you sell your farm, because you have that bunded area.

Senator HEFFERNAN—Could you provide us with a concrete answer on that?

Mr Grabbe—On whether type A water is tradable?

Senator HEFFERNAN—On whether the A type water, which would develop this conflict of interest argument, is going to be tradable, because that will certainly provide some ammunition for conflicts of interest.

Mr Grabbe—Yes.

CHAIR—Senator Heffernan is asking whether you could take that on notice; the secretariat will be in touch, if you could provide some response.

Mr Siddins—I would immediately think that you would have to sell your farm because—

Senator HEFFERNAN—That may well be, but I am saying either it is or is not going to be tradable to your neighbour. Is it going to be separated as a right from the farm or is it going to have to remain with the piece of land, and is it going to be tradable?

Mr Siddins—We do not know that. We still have to work that up through the rock. The document you have there is the proposal for the water resource plan, which will become more finetuned in the rock part of the deal.

Senator HEFFERNAN—Well, I would like to go on the record on this, because I think if that becomes tradable, that will be as treacherous as the spatial market in high-rise office space—which I will not go into. It becomes a spatial market because it is not related to the land that allegedly you are keeping the water off. I think, in some ways, that would be a public fraud.

Mr Siddins—I cannot see how it would happen, myself.

CHAIR—I thank Mr Carson, Mr Grabbe, Mr Siddins and Mr Prescott for reappearing as witnesses. Obviously there are a number of things that the committee may want to follow up to clarify as a result of what has been recorded in the transcript today. To the other witnesses who have appeared: first of all, thank you for your patience—I know that we have deviated somewhat from the time plan that had been set. For others who may want to put in supplementary information to deal with some of the views that have been expressed this afternoon, the committee is more than happy and willing to take that on board. You may recall as well that this morning I made an opportunity available for any person who has been here and has not appeared to make a statement that would not be subject to committee questioning. Mr Geoff Dawson was to provide a list, but I understand that no-one has come forward.

In that event, I now propose to adjourn the hearing for today, and following that I will ask the Mayor, John Stone, to say a few words on behalf of the council. Certainly from my perspective, on behalf of the committee, I want to again thank the council and all of the witnesses that have appeared—individuals, groups and organisations—for your cooperation and assistance, and for warmly welcoming this committee, which usually does not get outside Canberra. Again, if you need to be in touch, we are more than happy to hear from you. Thank you.

Committee adjourned at 4.21 p.m.