



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

MURRAY-DARLING BASIN PLAN

**Social, economic and environmental impacts of the Murray-Darling Basin Plan  
on regional communities**

(Public)

THURSDAY, 5 NOVEMBER 2015

ECHUCA

**CONDITIONS OF DISTRIBUTION**

This is an uncorrected proof of evidence taken before the committee.  
It is made available under the condition that it is recognised as such.

BY AUTHORITY OF THE SENATE

**[PROOF COPY]**

## **INTERNET**

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

To search the parliamentary database, go to:

**<http://parlinfo.aph.gov.au>**

## SENATE

### MURRAY-DARLING BASIN PLAN

Thursday, 5 November 2015

**Members in attendance:** Senators Day, Leyonhjelm, Madigan, Marshall, McKenzie.

#### **Terms of Reference for the Inquiry:**

To inquire into and report on:

The positive and negative impacts of the Murray-Darling Basin Plan and associated Commonwealth programs on regional communities, with particular reference to:

a. the implementation of the plan, including:

- i. its progress,
- ii. its costs, especially those related to further implementation,
- iii. its direct and indirect effects on agricultural industries, local businesses and community wellbeing, and
- iv. any evidence of environmental changes to date;

b. the effectiveness and appropriateness of the plan's Constraints Management Strategy, including:

- i. the progress of identifying constraints and options to mitigate the identified risks, and
- ii. environmental water flows and river channel capacity;

c. the management of the Coorong, Lower Lakes and Murray mouth, including the environmental impact of the locks, weirs and barrages of the Murray River; and

d. any related matter.

## WITNESSES

<b>BARLOW, Mr Luke, Chairman, Moira Private Irrigation District.....</b>	<b>53</b>
<b>BRADBURY, Ms Emma Ruth, Chief Executive Officer, Murray Darling Association.....</b>	<b>11</b>
<b>BRADFORD, Mr John, Delegate, Southern Riverina Irrigators.....</b>	<b>37</b>
<b>BRADY, Mr John, CEO, Kagome Australia.....</b>	<b>21</b>
<b>BURGE, Ms Louise, private capacity.....</b>	<b>21</b>
<b>CONDELY, Mr Norman James, Representative, Lake Meran Diversion Licence Holders Group.....</b>	<b>37</b>
<b>DUNCAN, Mr Guy, Private capacity.....</b>	<b>53</b>
<b>EAGLE, Mr Neil James, Private capacity.....</b>	<b>53</b>
<b>KNIGHT, Mr Alister Edward, Farmer/Managing Farmer, Nyton Park Agriculture.....</b>	<b>21</b>
<b>KNIGHT, Mr Alister Edward, Private capacity.....</b>	<b>76</b>
<b>LOLICATO, Mr John, Chairman, Murray Valley Private Diverters.....</b>	<b>37</b>
<b>MAY, Mr David Greig, Chairman, Wakool Landholders Association.....</b>	<b>37</b>
<b>OBERIN, Mr Donald, Private capacity.....</b>	<b>76</b>
<b>PATTISON, Mr Kenneth William (Ken), Private capacity.....</b>	<b>76</b>
<b>PEEL, Mrs Raelene Marie, Secretary, Kerang Lakes Land and Water Action Group.....</b>	<b>21</b>
<b>PIKE, Mr John Robert, Chairperson, Lake Meran Diversion Licence Holders Group.....</b>	<b>37</b>
<b>SCHULTZ, Mr Lindsay Gordon, Private capacity.....</b>	<b>53</b>
<b>SIMMS, Mr Stuart Frank, Chair, Kerang Lakes Land and Water Action Group.....</b>	<b>21</b>
<b>SNELSON, Mr Stephen Douglas, Chairman, Koyuga South Irrigators Group.....</b>	<b>76</b>
<b>TERBLANCHE, Mr Jack, Director of Community Development, Hay Shire Council.....</b>	<b>1</b>
<b>TOLL, Mr Gregory Lloyd, National President, Murray Darling Association.....</b>	<b>11</b>
<b>WALSH, The Hon. Peter, MLA, Member for Murray Plains, Victoria.....</b>	<b>66</b>
<b>WHYKES-TASKER, Ms Meredith, Owner/Director, Taskers Garage.....</b>	<b>21</b>
<b>WILSON, Councillor Leigh, Mayor, Campaspe Shire Council.....</b>	<b>1</b>

**TERBLANCHE, Mr Jack, Director of Community Development, Hay Shire Council**

**WILSON, Councillor Leigh, Mayor, Campaspe Shire Council**

**Committee met at 09:02**

**CHAIR (Senator Leyonhjelm):** I declare open this hearing of the Senate Select Committee on the Murray-Darling Basin Plan's inquiry into the impacts of the Murray-Darling Basin Plan and associated Commonwealth programs on regional communities. These are public hearings, although the committee may determine or agree to a request to have evidence heard in camera.

I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee. Such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may also be made at any other time.

I remind those contributing that you cannot divulge confidential, personal or identifying information when you speak. If you wish to supplement your evidence with written information, please forward it to the secretariat after this hearing. We ask that opening statements be brief. We have had some witnesses at Griffith, for example, who felt that they were entitled to make as long a statement as they liked. That is not the case. If you do have a long opening statement to make and you cannot fit it into two or three minutes, you are able to ask that it be tabled and we will accept it as a document. In terms of the overall evidence, the committee is particularly interested in hearing personal stories, rather than generalisations. Obviously, we are looking to hear about problems and solutions.

I now welcome representatives from Campaspe Shire Council and Hay Shire Council: Councillor Leigh Wilson and Mr Jack Terblanche. Thank you for appearing today. I invite you to make a brief opening statement if you wish to do so.

**Councillor Wilson:** I thank the chair and the senators for the opportunity to come today. Campaspe Shire, as you would be aware, has around 38,000 people. The agricultural sector is our largest employment sector. We have made a written submission. We focused on four key areas, which are around triple-bottom-line monitoring, reporting, Commonwealth water trading and the constraints strategy. We would have liked to have been able to discuss speculative trading in some depth, but unfortunately there is no information available to be able to make an informed decision. I think I will be able to elaborate a lot more through questions and answers today.

**Mr Terblanche:** Thank you for allowing us to appear before you today. Hay Shire Council is a small council, with a population of about 3,000 on the Hay Plain. About 28 per cent of our economy is based on agriculture, so obviously this plan has had quite a significant impact. When we were asked to make a submission on the positives and negatives of the plan, we could not list any positives, but we can list a few negatives, and that is mostly to do with the triple bottom line, as Councillor Wilson has said as well. We hear a lot about environmental benefits, but the social and economic benefits are lacking.

**CHAIR:** That certainly meets the criterion of 'brief'. Thank you very much.

**Senator MADIGAN:** Councillor Wilson, in your submission to the committee you spoke about the constraints management strategy. You said:

This matter needs to be addressed to ensure that regional Victorian councils do not bear the costs that should be met, or contributed to, by other beneficiaries.

Could you elaborate in relation to the constraints management strategy?

**Councillor Wilson:** We have a number of concerns about the constraints strategy. From a fiscal point of view, there is the movement for councils to take on ownership of the ongoing maintenance of levees throughout our district. We have a large network of levees. To maintain them at the level that should be required runs into many millions of dollars and the annual cost is many hundreds of thousands of dollars. For any council to take on additional levees is irresponsible in the financial climate, especially in Victoria with rate capping coming in next year.

Notwithstanding this, there is also the socio impact to those farming families along those areas. Having come to this position as councillor off the back of the 2011 floods in this district, I am all too well aware that man and mother nature working together does not always end in a good result. That being said, constraints strategy implementation in our shire is actually only a small part of our area. We work very closely with our neighbouring

shires and it affects them much more than us. So we are partnering with them to have that strong stance on the constraints management. We certainly want to be completely embedded in any decision process moving through, so that we can work with our rural communities to get the best outcome possible.

**Senator MADIGAN:** For the benefit of the committee, Councillor Wilson, could you elaborate: when you say a levy, we are not talking about a fee imposed on the council—we are talking about levee banks which prevent flooding of the town, aren't we?

**Councillor Wilson:** Yes—physical infrastructure. In my humble experience with a few years in council, everything cost more every year. Maintenance costs will only go up. I fear that financially it is an unnecessary burden, if it can be avoided.

**Senator MADIGAN:** For the benefit of the committee, could you elaborate on what the constraints are? As I said, it is best not to assume that all members of the committee understand what a levee is, as a levee bank that protects the towns, people and farmers from flooding. So when we are talking about constraints, could you elaborate a bit more on what a constraint is?

**Councillor Wilson:** It is the capacity of our river systems to manage the water that is going to travel through them in environmental flows, with over-the-bank flooding in particular areas—managing the distribution of water in those areas.

**Senator MADIGAN:** Let's take an example with the Barmah Choke. If 10 megalitres per hour can go through the Barmah Choke and they are putting down 20 megalitres per hour, it has to go somewhere, doesn't it, Councillor? It is going to flood.

**Councillor Wilson:** My rudimentary science would say that the water is going to impact a greater area than may have been planned, may have been intended, or what Mother Nature may have originally allowed for. With modern man coming in and changing the face of the land with agricultural practices, we see that the water particularly likes to take its chosen path. Intervention would be required to mitigate flooding onto built-up areas, and some rural infrastructure is certainly at risk.

**CHAIR:** Councillor Wilson, is any flooding occurring now as a consequence of implementation of increased environmental flows?

**Councillor Wilson:** I am not aware of any significant flooding within the Campaspe Shire. I am being alerted to the concerns of some farmers that have farms that back onto some of our river systems. Within the Campaspe Shire we have the Campaspe River, which is the primary river through the centre of the shire. That is a very deep river. So it is our bordering river that we have concerns with and with our neighbouring shires.

**CHAIR:** So there are additional environmental flows in the Campaspe. Is that right?

**Councillor Wilson:** That is right.

**CHAIR:** Have you detected any environmental changes since the implementation of an increase in environmental flows?

**Councillor Wilson:** Absolutely. I have noticed an increase in turtle and platypus activity and, in conjunction with our very active angling clubs in the area, some restocking. There is certainly an increase in native fishes along the Campaspe River.

**CHAIR:** So there have been observable environmental changes?

**Councillor Wilson:** Yes.

**CHAIR:** What have been the observable changes in social and economic factors in your shire?

**Councillor Wilson:** More in the negative. I will speak personally about my little patch of the woods in Rochester, which is just south of the Echuca. The Rochester area was one of the early areas to have decommissioned channel infrastructure. I went with a number of farming families—some I have known personally; others, because you are in a small town, you cannot help but know—through those changes.

Large portions of that land that were dairy farms are now dry farms. Some only have beef cattle. A lot of the farmers have moved off the land. Some have moved away from the area. The productivity has decreased significantly, and that flows on to the other jobs—farmhands or milking assistants. There are also fewer transport jobs in the area. We also saw that, as a result, Murray Goulburn, a large dairy producer in Rochester, laid off a significant number of employees, and that was largely because of the volume of milk that can be obtained by them in the area. I am aware of businesses that report that the volume of trade has well and truly slowed down over a number of years.

I have talked to the local principals, who have said that school numbers have well and truly decreased in our area—that is, primary and secondary schools. Some of the families I know have gone on to farming in other areas of the state. A lot have just given up farming. We have a net loss of young people. There are fewer opportunities for young people, especially in the farming sector. We have not seen an increase in other employment opportunities around our area, and that is not for the want of my trying. We have seen a very slow population increase. I think we are sitting around neutral at the moment. It is something that the average person on the street talks about regularly.

**CHAIR:** For the benefit of the committee could you explain the process that led to this loss of irrigation water, in particular the decommissioned channels. How did that come about?

**Councillor Wilson:** Some of that was out in what was a soldier settlement area. There were challenges for the farmers at the time going through the millennium drought. It was towards the end of the millennium drought, and I think the opportunity to take a retirement package by selling their water and still having their land available if they wished to continue farming, or to be able to onsell their land, was too great an opportunity for some of those farmers.

**CHAIR:** They sold permanent rights?

**Councillor Wilson:** Yes.

**CHAIR:** Did they assume that they would be able to buy water on the temporary market if they required it?

**Councillor Wilson:** For a number of those farmers out there it was more that this was an opportunity and the time to exit farming. Other farmers have continued to make a go of it, but it is a very small percentage of the original farmers that were out in that area.

**CHAIR:** Can you tell us about the decommissioned channels.

**Councillor Wilson:** The decommissioning of a channel is where the original channel system is filled in and stock and domestic pipelines through a syndicate are put back in their place. So there is far less water available. Some of the farmers that have remained farming in the area have had a good supply of water through bores, but they have taken away the additional ability of getting water from the diversion from the Campaspe River.

**CHAIR:** Who has decommissioned channels, and under what circumstances did that occur?

**Councillor Wilson:** That was in the first invert rollout.

**CHAIR:** So that was prior to the implementation of the plan? That was in its predecessor, was it?

**Councillor Wilson:** I am just trying to think of the time frame. This would be around 2009, 2010.

**CHAIR:** Do you know what the reason was for the decommissioning of the channels?

**Councillor Wilson:** My understanding from the time was that it was part of the first buyback of secure water. One particular irrigation district had very secure water, and it was buying that water back.

**CHAIR:** I have been led to believe that channels were decommissioned notwithstanding the fact that there were still people who had water entitlements who received water via the channel. Is that true?

**Councillor Wilson:** That is correct. My understanding at the time was that at a local level it was very political. I am aware that there were farmers pitted against farmers. But once there was a critical mass of farmers exiting the system, for those left behind the additional cost burden to maintain at the end of the system, whether it was reality or through fear, was too great a challenge.

**CHAIR:** Are we talking about people losing their access to water against their will, or did they lose access to water because the cost of paying for the continuation of the channels became prohibitive?

**Councillor Wilson:** I would say it was probably a combination.

**CHAIR:** Do you know of anyone who did not sell their water rights and lost access to water directly contrary to their will?

**Councillor Wilson:** I do know of a couple of families out that way, yes.

**CHAIR:** It actually did occur? They lost their water; they did not want to lose their water, and it was not that the cost of maintaining the channels was too high?

**Councillor Wilson:** Yes.

**CHAIR:** Are you able to give us details of those?

**Councillor Wilson:** Yes, I can.

**CHAIR:** We have been told by others that this could not have occurred, including the authority. I am interested in names of individuals, and I think we might contact them and seek their details.

**Councillor Wilson:** Okay.

**CHAIR:** Could you take that as a question on notice and get back to us, please.

**Senator MADIGAN:** Mr Terblanche, the Hay Shire Council submission says:

*The Nimmi-Caira Low Bidgee project* has seen almost 84,000 hectares of farming and grazing land converted to government owned conservation parkland.

What is the state of that land? How is that land being managed?

**Mr Terblanche:** Those are interesting questions. I am thinking now, of how to put it nicely.

**Senator McKENZIE:** Just the facts.

**Senator MADIGAN:** Elaborate as you like.

**Mr Terblanche:** There is very limited management of the land, according to council.

**Senator MADIGAN:** Very little? Is there any management?

**Mr Terblanche:** Apparently there are two people employed on site for that whole area.

**Senator MADIGAN:** What do they do? Do you know?

**Mr Terblanche:** They manage the land. To give some details on it, what we see there is a huge fire danger. Luckily we have had some good rain which would probably help out with that, but there has also been a huge increase in feral animals, so I cannot see how the government is managing it, really. It is not managed as some of our agricultural areas are managed. It is also a risk for the surrounding agricultural areas.

**Senator MADIGAN:** In the next paragraph you also speak about a loss on an annual basis of \$53,000 in land rates to the shire. Is that attributable just to that one property?

**Mr Terblanche:** No, it is for the whole project. Nimmi-Caira has basically 19 properties, 11 farming business. As a council we are losing \$53,000 in rates but, as I said in my opening statement, there is a huge social impact to that. There is a lot of economic flow-on problems that were created due to that—our school numbers went down et cetera. That is a direct financial problem for the council but, like I said, there are also flow-on benefits for the businesses in the Hay.

**Senator MADIGAN:** In point 4 you mention lack of accountability by the myriad of government bureaucracies, both Commonwealth and state. Could you elaborate a bit there? Am I right in assuming here that the left hand does not know what the right hand is doing and that there is a lot of buck-passing going on between state and federal bureaucracies?

**Mr Terblanche:** Certainly. We have huge difficulty in finding anyone to take responsibility for the management of the river and to plant Nimmi-Caira land. It is not easy. There is a lot of buck-passing around. We have got quite a number of problems with our river levels at the moment, and to find anyone who is accountable has been almost impossible. We recently had a meeting at council with a water authority on the change in the water levels, and in the end the answer was that, 'we have some responsibility, but there is another department.' There is always another department. There is always another party that you cannot get around the table, and they cannot give you a clear answer.

**CHAIR:** I would like to interrupt there. I would like to have you name a few of these authorities. Who do you have to deal with, and who does the buck get passed to or between? Please name them.

**Mr Terblanche:** The Office of Water and Water New South Wales, mostly. Frequently there is reference to OEH—the Office of Environment and Heritage.

**CHAIR:** Is that federal or state?

**Mr Terblanche:** State. From my level as a council worker it is basically state level authorities that you get passed around between.

**CHAIR:** Are you only dealing with the one federal authority, or with any federal authorities apart from MDBA?

**Mr Terblanche:** Apart from the MDBA, I personally do not deal with any federal authority.

**CHAIR:** I just wanted to clarify that. Thanks.

**Senator MADIGAN:** Councillor Wilson, in your opening statement you mentioned water trading and—correct me if I am wrong—you alluded to the transparency of who is trading in the water and who owns the water.



As a representative of the council, have you been able to get any transparent answers—factual answers—that would help you and the council have a more informed position?

**Councillor Wilson:** I think that it is even broader than myself and our council having an informed position. I do not think anyone out there truly has an understanding. It is certainly far from being clear and transparent—the information. I think it is a common thread with just about anyone I speak with at any level. If it continually comes up, the question must be answered. We have attended a whole gamut of presentations from local water authorities and further afield. A lot of people are trying to put some meaning around it in a constructive manner, and it is just not accurate enough. The complexities around how the average farmer owns water these days adds that level of complexity to it. So as the mayor of the council, how can I direct my staff to make an informed decision, or a formed position on something, that we cannot get any real data on—no data that we can back up. If that is our position, and we have some very clever staff—and I hear it constantly out in public—it something that must be answered, but it something that we cannot make an informed decision on.

**Senator MADIGAN:** Has council got an opinion about water speculators?

**Councillor Wilson:** We constantly hear from our farming sector and the allied industries that rely on the farming sector that the affordability of water and the availability of water is a primary concern. Are those things being affected by people who are speculating? I think that if you take away any rhetoric, what they are saying is that if people are buying water who have no intention of putting it on the land—if they do not intend on farming with it—they should not be involved with it. I am aware of some misconceptions around when people talk about superannuation funds. We are well aware of some sectors that are very heavily vested in farming that are buying large amounts of water. So are they caught up in this? I do not know. But how can I make an informed decision when we cannot get the data?

**Senator MADIGAN:** Finally, are you able to elaborate to the committee about the farming community's concern about the removal of productive water?

**Councillor Wilson:** It is interesting that you ask that question, because I wrote a comment down prior to starting this morning. When our forefathers came here, they must have been attracted by what we commonly take advantage of these days in our modern society—the 'instant' everything. This seemed to be instant farm land—'just add water'. They invested heavily in irrigation. It has been a very productive area for many generations. It has the potential to continue being productive, but if we cannot get access to water at a reasonable price, it is a major failure. Around my neck of the woods, we have had a large number of farmers invest heavily; they have done the right thing. I often tell the story that my uncle was one of the first tomato farmers in Victoria—he certainly was in this district—to put in drip irrigation, and that was back in the early 80s. So these farmers are at the cutting edge. They are doing what is required of them, but if they cannot get access to affordable water, and they have already increased their other input costs, even those very productive farms with the latest in irrigation technology are going to be swept aside. Effectively, this will become a dust bowl.

**Senator McKENZIE:** Thank you very much for your evidence today. A lot of my questions have already been asked. Mayor Wilson, it is great to see you again. In terms of the Victorian state government and the rollout of the Floodplain Management Strategy, can you update on your interactions with the state government on that? How is it going?

**Councillor Wilson:** It is very interesting. This is the second round of the Floodplain Management Strategy. We are quite lucky that our CEO, Mr Jason Russell, was ingrained in that process from a committee level. This is very challenging. I made the comment earlier that when man and Mother Nature come together we do not see a better outcome, unfortunately, and that seems to be proven in history. The core challenge that I see is a fiscal one, as well as the socioeconomic side of things. If the strategy works, from an implementation point of view, there will be better outcomes for the communities. There will still be some communities that may be challenged by Mother Nature—we cannot control rainfall. Notwithstanding that, there is the physical side of things, which is around the infrastructure cost and the burden on local councils. In our council area, we have levees that we technically own and should manage that protect downstream councils, and vice versa—we have upstream councils that protect parts of our shire.

**Senator McKENZIE:** Is that recognised by the state government?

**Councillor Wilson:** It is understood by the state government.

**Senator McKENZIE:** Is it recognised in any meaningful way?

**Councillor Wilson:** I think they recognise it. As to whether it is going to influence any outcomes, I do not necessarily think so. They certainly have a taste for cost-sharing on this, and we are certainly carrying the lion's share in this neck of the woods while we abut the Murray River with our network of levees. It is interesting, and I

have put in this feedback, that in this day and age we have complete funding for the CFA, as an example, via a levy—not an infrastructure levee but a financial levy right across Victoria—so that all Victorians benefit from fire emergency services, but when it comes to floods apparently it is the beneficiaries who have to foot the bill. I do acknowledge state and federal government assistance, but it is 'beneficiaries pay'. I have argued that those that live in alpine areas should probably pay a higher levy for the CFA compared to us around here. While we probably have far fewer fires and more floods, they have more fires and fewer floods. That did not go down too well.

**Senator McKENZIE:** It sounds like sound reasoning, though.

**Councillor Wilson:** The approach is more of a national disaster levy, as opposed to a fire emergencies levy, and then there is a more equitable distribution of resourcing. We only need to look back in the early eighties, when there was the Newcastle earthquake. So we cannot dismiss other events.

**CHAIR:** I am from Sydney and only Senator McKenzie has local knowledge, I think. For the benefit of the committee, could you just wind back a little bit and tell us about this flood plain management issue that you are referring to? I need a bit more background on it.

**Councillor Wilson:** Certainly. It has been recognised for some time that we have not had an adequate overarching plan around managing major flood events. What we experience in floods is that Mother Nature does not pick and choose a locality or a specific shire to spread the love. Mother Nature tends to just use river courses and flood plains. So this is a management strategy to attempt to mitigate the damage from flooding. Some of it encompasses management of waterways; some of it is around infrastructure.

Infrastructure can take place in two parts: we can have above-ground infrastructure or below the river line infrastructure. With infrastructure above the river line, we are talking about built levees and other systems to mitigate the damage and the largest expense caused by flooding, so primarily communities. What they are referring to is that, if it is protecting a community, they are the beneficiary, so the beneficiary should foot a large proportion of the construction costs and the ongoing maintenance costs of that levee infrastructure.

**CHAIR:** So this is a plan that is being worked on between you and the Victorian government? Is that right?

**Councillor Wilson:** It is across Victoria, but it applies more to some parts of the state than others.

**CHAIR:** More flat terrain?

**Councillor Wilson:** Yes.

**CHAIR:** Understood. Is the plan still being formulated?

**Councillor Wilson:** Yes, it is. It is in the final stages.

**Senator McKENZIE:** How is it being integrated with the Murray-Darling Basin Plan?

**Councillor Wilson:** This is one of our fears—that we have the constraint strategy and that the two plans might be at loggerheads. Local government will be sought by the community, as we are time and time again, to fix problems that we have inherited completely out of our control. My colleagues in New South Wales have some pretty hard financial problems and we are about to start embracing those. We will have to pick and choose. We are already at a point now with levee infrastructure that, from a legal point of view, we may have to pick some levees and either level them to the ground or ensure the community has an understanding that we will not look after some levees.

**Senator McKENZIE:** Can I be clear that, at the moment, it is the Murray River Group of Councils—I assume the Murray River Group of Councils and RAMROC—perspective that the Victorian Floodplain Management Strategy is potentially at loggerheads Murray-Darling Basin Plan.

**Councillor Wilson:** That is correct.

**Senator McKENZIE:** That might be something we need to look at more. You made some comments about the Commonwealth Environmental Water Holder. If you would briefly expand on those for the committee, I would appreciate it.

**Councillor Wilson:** We have just taken a very simple approach in that we see flexibility within the ownership of the environmental water and that it probably has other uses than directly for the environment that lead to it being made available for agricultural use. There are far smarter people than me who will know more of the details of that—the benefits, volumes and those sorts of things—but, once again, it is a very common thread amongst our community that that rates very highly.

**Senator McKENZIE:** The Hay council talked about social-economic assessments and the Strengthening Basin Communities Program—a paper that cost \$3 million to produce—and no follow-up assessing the

socioeconomic impact. When the plan was being negotiated, I think we were all focused on a triple bottom line. For those of us who live in regional Australia, social and economic was probably where our focus was, so that assessment was very important. Are you telling me that nothing has been done with it and that there is no follow-up?

**Mr Terblanche:** There has been no follow-up. To give some background info, we have socioeconomic studies that were done after the plan that are about 15 centimetres high. So we have more pages than we have population in the Hay shire. All these studies were funded—study upon study on every imaginable topic around how this will impact. In every study it came up: yes, it will have a significant impact on Hay shire. There have to be certain projects launched like waste water reuse, regional promotion, the digital economy, tourism strategies et cetera. So we have all these strategies that were drafted after the plan and there has been no follow-up to see if anything actually happened and, obviously, also no funding.

**Senator McKENZIE:** Were these state or federal government?

**Mr Terblanche:** I think mostly state—I am not sure.

**Senator McKENZIE:** On notice, could you outline the strategies that were recommended and which level of government was responsible for backing that in?

**Mr Terblanche:** Yes.

**Senator McKENZIE:** I had questions on the Nimmie-Caira, but I think they were covered. Regarding the lack of accountability with the New South Wales government that you talked about and the bureaucratic nightmare that that has become for your shire, I am interested, Councillor Wilson, if you have a similar experience in the great state of Victoria.

**Councillor Wilson:** The great state of Victoria—let me see. To state something that would probably be obvious to many people in this room, we sit in a very safe National seat. I have witnessed too much trivial political infighting and punishment because of who our local member is at a state level. With the Labor government, I fear that politics is playing more of a part in a bit of tit for tat, as opposed to real concerns—pointing to some of our roads infrastructure that we were funded for under the previous government and have lost under the current government. Notwithstanding the problems we have with the current Labor government, apart from our agriculture minister, Jaala Pulford, who does come up this way quite often, it is a real struggle to get any of our state members to leave Melbourne to visit this neck of the woods. They like to go to Bendigo and Ballarat; we find it a little bit harder to get them up to this neck of the woods to see firsthand the plight of some of our communities.

**Senator MADIGAN:** Councillor Wilson, you mentioned before the flood management strategy. On the chance that we have another 2011 flooding event in northern Victoria, how confident are you in the shire that the state government will not end up with a fiasco like we had in 2011 with the management of the flooding?

**Councillor Wilson:** From my neck of the woods in Rochester, we will have exactly a repeat of the same event—250 homes will have water go through them. If the Murray River is banked up—and we were fortunate in 2011 that it was not—and if there are high environmental flows in the Murray at that time, potentially will see hundreds of homes in Echuca township flooded. That does not even go on to talk about the farms that were flooded some for months on end, through to the [inaudible] area. Council has only so many resources to be able to deal with any of this and we do rely on state resourcing to overcome these things. We get money to rebuild but we get very little in the way of mitigation.

**Senator MADIGAN:** Four years on, Councillor Wilson, we still have farmers and townspeople who have not recovered from the 2011 event. In the event that we have another flooding event like the one in 2011, these people are going to cop it again.

**Councillor Wilson:** Yes.

**CHAIR:** And potentially more because of the higher environmental flows—

**Councillor Wilson:** Potentially more because the very principle of the constraint strategy is to take advantage of high water events to push additional control man-made water—and this is my synergy around man and environment working as one—to increase the over-bank flows. So if we had four times higher rainfall recorded over our catchment area than recorded history, if we had a similar event it would be catastrophic for some parts around here with the Murray River being high. It would be absolutely catastrophic. It would be back potentially to around the turn of last century type of event or in the 1950s.

**Senator DAY:** To be perfectly clear, to what extent would you say the 2011 floods were contributed to by the environmental water holdings, the environmental flows?

**Councillor Wilson:** I would say negligible to nil during that time because the catchment area in our shire, Lake Eppalock was very low. It filled so quickly and then proceeded to spill at a ferocious rate and as well a lot of the rain for which entered that system was off another ridge line downstream from the lake. I would say that the environmental water holder was not a concern at that time. However, notwithstanding, now that the environmental water holder is holding water in the system, the potential for a poor outcome under the current system increases.

**Senator DAY:** So your evidence is that it was bad enough but it was compound by the environmental water holder additional—

**Councillor Wilson:** Not for us in the event in 2011—it would have been a very minor role—but in future events it will definitely be compounded.

**Senator DAY:** You mentioned levee banks were needed. Do you have an estimate of the length of these levee banks or to what extent they are—

**Councillor Wilson:** I can have all of that information provided to you but we have several million dollars worth of infrastructure in man-constructed levee banks within our shire.

**Senator DAY:** If you could provide that, that would be very helpful. Finally, to what extent is irrigation gravity fed in your district as opposed to, say, private pumping?

**Councillor Wilson:** Prior to this I would say it was probably in the very high 90 per cent range. There would have been only a few irrigators who were doing some pumping. I am aware out of the Goulburn-Murray district that there was some pumping taking place to shift water in the core channel systems but from the private sector it was very low. I would not have the figures across the entire irrigation district, but I know—

**Senator DAY:** Predominantly it is very high.

**Councillor Wilson:** Around my neck of the woods now it is very high.

**Senator DAY:** Mr Terblanche, for those who are not familiar with the area, how often does the Lachlan connect with the Murrumbidgee by the Cumbong swamp?

**Mr Terblanche:** Not very often.

**Senator DAY:** Is it once every five, 10 or 20 years.

**Mr Terblanche:** I am sorry, I do not know.

**Senator DAY:** It would be helpful if you could let me know, thank you. You say the Commonwealth Water Holder's ability to prioritise environmental flows over irrigators is a major source of dissent. Can you tell us a little bit more about how it is able to prioritise?

**Mr Terblanche:** To be honest, I do not know all the details about that but what I hear from the farmers is that their allocations have been cut and they see massive amounts of water going down the river, in very simple terms. Their perception is, 'We are struggling on this, so how can we have full rivers just going down?' I will have to get more details on this.

**Senator DAY:** It is in your submission that they are able to prioritise. I would like to know how they do that. You say the Commonwealth spent \$180 million on the Nimmie Caira Lowbidgee project—is that right?

**Mr Terblanche:** Yes.

**Senator DAY:** Buying out 11 farms and the number of titles and so on. Would you save the taxpayer got good value for money out of that project?

**Mr Terblanche:** No, certainly not because they have got no value. From our shire we got absolutely no value. Generally, if you take it nationwide, I cannot see any value for the ratepayer. In our shire it had a big social impact. I cannot stress enough the social impact of this plan—the emerging families due to the scheme and that is apart from the economic impact of those families not spending any more.

**Senator DAY:** We spent \$180 million on that project.

**Mr Terblanche:** Yes.

**Senator DAY:** The 173 gigalitres that you mentioned, is that an allocation or was that an entitlement?

**Mr Terblanche:** I would have to go into the background documents.

**Senator DAY:** If you could find out whether that was actually an allocation or an entitlement—thank you very much. That is all, Chair.

**CHAIR:** On the issue of greater flood damage in the event of something similar to 2011 as a result of higher environmental flows, I want to fully understand what you think the potential damage might be. You mention the

town of Rochester. What other areas—and you can limit it to your council area if you would like or if you know enough to go outside then do so—are vulnerable to that eventuality?

**Councillor Wilson:** My understanding is that the Campaspe system is not as susceptible to environmental flow impact with flooding on top of it, unless we experience a similar event to 2011 and then it would be reliant on the catchment holding a significant volume of water at that time. But the constraint strategy would have more impact on the Goulburn River, because there are more plans for overland flooding there, because it is a different make-up of river. So there is more opportunity for environmental outcomes.

To have a catastrophic weather event on top of, or beyond, what was theorised, when they are taking the opportunity for the overland flow, would potentially be damaging to some of the small communities along the Goulburn River. At a minimum it could be very catastrophic to a large number of farmers along that system, because the geographical make-up is actually a lot flatter. So, once the water spills and starts pushing out you are talking lost crops and livestock and damage to farming infrastructure.

**CHAIR:** So we are talking large agricultural losses. Are we talking substantial numbers of towns or houses being flooded, as well?

**Councillor Wilson:** I would not have that local information. I have lived and breathed the flood on the Campaspe, with the Rochester community. I would say that it would be well and truly in the millions of dollars. It is a little hard to say as it depends on the time of the year at which it might happen.

**CHAIR:** Do you believe that in something similar to the 2011 event, in terms of rainfall, more houses would be flooded than occurred under the current circumstances?

**Councillor Wilson:** Yes, I do believe that would be the case.

**CHAIR:** A lot more or a few more?

**Councillor Wilson:** The nature of a lot of our land, as you will have noticed, is fairly flat. So every additional inch of rise in the water on the floodplain covers a significant distance. Looking at the Rochester event, where 250 homes were flooded, it would have taken only a extra one to two inches to have basically doubled the number of houses damaged. Within the township alone, infrastructure damage was quantified at just over \$10 million. That does not take into account the socio damage and the lost incomes. Many business continued to pay the wages of their staff while they had to close their businesses for a number of weeks. It does not account for the lost production at the Murray Goulburn plant. They traded up until too late. Also, it does not take into account the losses in the farming sector, where most of the farms that were damaged had their crops wiped out.

**CHAIR:** That is interesting. Mr Terblanche, Councillor Wilson has acknowledged that there are some environmental benefits that have arisen as a result of grater environmental flows and environmental watering in his council area. Has anything similar been detected by Hay Shire Council?

**Mr Terblanche:** In the Hay Shire specifically?

**CHAIR:** Yes.

**Mr Terblanche:** No.

**CHAIR:** Nothing at all?

**Mr Terblanche:** We have actually had more problems with rising and falling water levels.

**CHAIR:** What are those problems?

**Mr Terblanche:** In the past few years we have had significant rises and falls in the water levels. Significant parts of our river banks have been degraded, with more trees falling in, and you cannot get permission to get the trees out again. In one specific case, a lady is losing about 20 or 30 centimetres of river bank per year, due to the fast rises and falls of the river. So, from our side, we have seen environmental degradation. I know that further down, in Balranald, there are apparently areas where there have been benefits. But we cannot see any benefits in our shire.

**CHAIR:** What percentage of agricultural water do you consider has been lost in your council area?

**Mr Terblanche:** I would have to get back to you with the specific figures.

**CHAIR:** If you would, thank you. For the benefit of the committee, on the Nimmie-Caira/Lowbidgee project the government spent \$180 million buying the farms, along with their water entitlements. Is that correct?

**Mr Terblanche:** Yes.

**CHAIR:** So it was not just water entitlements—the land is now government owned. Is that correct?

**Mr Terblanche:** Yes.

**CHAIR:** And there are two people managing that land?

**Mr Terblanche:** Yes.

**CHAIR:** You previously commented on how effective you think that is.

**Mr Terblanche:** Yes.

**Senator McKENZIE:** Who was the minister at the time that purchase was made?

**Mr Terblanche:** To be honest, I cannot remember. I will have to get back to you. I remember we had a ministerial visit at the stage of the purchase of the land. The relevant minister made quite a few promises about it—that the land will be able to be rated, and promises on tourism. Both of these obviously never eventuated.

**Senator McKENZIE:** On notice, could you provide us with some more details on those promises.

**Mr Terblanche:** Yes.

**CHAIR:** In your submission—and this has been asked previously—you had the socioeconomic assessment of the implementation of the Murray-Darling Basin Plan on Hay and Balranald communities. You said there was no follow-up on the implementation of the recommendations. What was your understanding as to what follow-up there would be? Were you given any undertakings, or were you making assumptions that there ought to be some follow-up, considering how much money was spent on the study?

**Mr Terblanche:** We expected that, firstly, there would be follow-up about the real impact of the plan, because it was a socioeconomic plan. So, firstly, we expected there would be follow-up to see what the real impacts were, and actions to ameliorate those impacts. We also expect that there would be funding available for some of the outcomes of these studies.

**CHAIR:** Did you receive any undertakings to that effect?

**Mr Terblanche:** Not to my knowledge.

**CHAIR:** Did you pursue it with them to find out why there was no follow-up?

**Mr Terblanche:** Yes, we have.

**CHAIR:** Who in particular did you chase?

**Mr Terblanche:** I would have to get back to you. That has gone through our general manager, so I will have to get back to you.

**CHAIR:** If you would, thank you. Is there a feeling on the council that there should have been follow-up, or that you have actually been let down, on the basis that you were led to believe there would be follow-up?

**Mr Terblanche:** We have been let down. That is the feeling of the council and whole town.

**CHAIR:** So you had a firm expectation that there would be more?

**Mr Terblanche:** Yes.

**CHAIR:** Thank you for your evidence.

**Proceedings suspended from 09:57 to 10:16**

**BRADBURY, Ms Emma Ruth, Chief Executive Officer, Murray Darling Association****TOLL, Mr Gregory Lloyd, National President, Murray Darling Association**

**CHAIR:** I now welcome representatives from the Murray Darling Association. Thank you for appearing before the committee. I invite you to make a brief opening statement, should you wish to do so.

**Ms Bradbury:** Good morning, Senators, and thank you for the opportunity to present here today. I would like to acknowledge the traditional owners. I would also like to acknowledge the mayor of the Shire of Campaspe, Councillor Leigh Wilson, and other members of our organisation and community here today.

By way of introduction, the Murray Darling Association is an organisation that represents local government and provides a forum for community participation on basin related matters. In appearing here today, we are speaking for members across the basin. In relation to more local issues, in listening to Mayor Wilson's comments on those local issues, they are well supported by the MDA.

There is no question that there are a litany stories, all of them heartfelt and real. Not all of them are entirely attributable to the plan and not all of them are divorced from it by any means. To borrow from a now-famous line in our recent past, the impact of the Basin Plan on our communities 'doesn't explain everything, it doesn't explain nothing; it explains some things.' In saying that, we think it is of vital importance that the inquiry is able to recognise that and, while understanding the real impact of hardships across our local regions, use the knowledge gained and the stories told to focus on practical steps that can be taken to improve Basin Plan implementation and to better balance the critical importance of delivering a healthy basin ecology, while helping rural and regional communities, and the industries that support them, to adapt and thrive.

From one end of the basin to the other, the call for the plan to provide greater balance between social, economic and environmental benefits, and indeed the absence of harm, has been universal. We recognise that that is not easily done. However, it must be done and, in order to improve and enhance social and economic impacts, one must first understand what they are. I have seen few recommendations on this issue framed better than that put by the Shire of Campaspe. The Shire of Campaspe, in its submission, recommended:

That the Murray Darling Basin Authority establish and make public a rigorous and repeatable Basin Plan evaluation framework and methodology, that can distinguish short term and one-off impacts from the underlying performance of the Plan.

We feel that that is probably one of the strongest recommendations that we could support.

It is important that a better outcome comes from this inquiry. When the inquiry was first mooted, many of our members were, as they are now, calling for stronger action to be taken to identify and mitigate against adverse impacts. They appreciate the support of the crossbench senators to achieving this. They are also very clear that when the inquiry was being called for their greatest anxiety was that no process or outcome should yield greater challenges nor compromise any of the gains, benefits or certainties upon which they currently rely. Our members are still imploring that we seek solutions, value what works and seek to understand and review what can be improved upon.

In almost two years in the role, it has been a source of great encouragement and inspiration to our members and region chairs to discover and better understand the breadth and extent of common objectives and purpose across the regions and communities of the basin. The appetite for collaboration and shared solutions is remarkable, if only for the lack of public awareness and momentum behind it.

I will keep the comments brief but I will refer you to the submission by the Alexandrina Council, the chairing council of region 6, in which they talk to the region's commitment to 'advancing the national interest and working for the good of all industries, communities and environments'. It goes on to say they acknowledge:

... the concerns of upstream landowners with respect to potential flooding impacts...

... ..

and—

encourage the ... Authority to continue to identify, evaluate and address ... adverse social and economic impacts...

One observation is that the authority may be pervaded with an understandable culture of hurt and defence—understandable, given the tumultuous and often challenging environment around the delivery of the draft plan. This has seen it become very difficult for communities and the authority to work as effectively as they need to achieve shared understanding and guided solutions based on local knowledge.

The Murray Darling Association is proud of an MOU that exists between the authority and the association. The MOU acknowledges the importance of governance of the Murray-Darling Basin and agrees that local government issues within the basin will be given due consideration in the implementation of basin's policies.

It is from that basis that the Murray Darling Association's key recommendations to this committee are around findings that speak to affirm the good delivered under the plan by the authority and to set positive deliverables and guidelines by which the authority can then work to improve social and economic benefits, while maintaining a healthy ecology across the basin.

**CHAIR:** Thank you, Ms Bradbury.

**Mr Toll:** Could I say a couple of words.

**CHAIR:** Okay; two opening statements—as long as it is brief.

**Mr Toll:** It is nowhere near as long as the last one. I am the national president of the Murray Darling Association and I am in my third year. It is not easy getting the balance right when we cover such a broad area in the association—four states. Every board member has their own criteria, wants and what they want in their certain areas.

Putting my region 2 cap on—I have got two or three but I am fairly involved; I used to live in region 3—my members do not want to see man-made floods on the Goulburn River or the Wakool River. They also do not want to have any further Commonwealth water purchased and they demand an independent socioeconomic analysis of impacts to implementation of the Basin Plan on the GMID—that is, the Goulburn Murray Immigration District.

They would like to make sure that any environmental water that is sold by our Environmental Water Holder should be used to improve the infrastructure and not to go and buy more water. I will take questions when you are ready.

**CHAIR:** Thank you, Mr Toll.

**Senator McKENZIE:** Thank you very much for your evidence and the work you do with the communities of the basin. In reading your recommendations, I sense that there is an issue with how the states are implementing their side of the bargain. Could you go to the specifics from the New South Wales and the Victorian state governments' implementation: where are they at; how are they going; and what are some of the challenges?

**Ms Bradbury:** I guess from the association's point of view that our level of engagement with the states has not been as active as it has been at the federal level. I think that in itself speaks to some of the level—

**Senator McKENZIE:** Is that not for lack of trying, Ms Bradbury, on your behalf?

**Ms Bradbury:** I would not say that I have necessarily encountered particularly strong barriers, but it has not been simple or easy to engage at the state level. I would have to say that the MDA, at the executive, increasingly has a sound relationship with state government in Victoria. We attended the water summit last week and inroads were made there. With New South Wales it is probably less so; with South Australia—somewhat more strongly; and in Queensland there are quite distinct demographics and challenges in that region, and so less so with Queensland.

Endeavours have been made, but one of the challenges is point of entry—and we have made a recommendation in our submission that there be a single point of entry. The view is that if an organisation which is as actively engaged in navigating the framework of water management as the MDA and its members are is struggling to achieve that then in our experience governments themselves—local, state and federal—communities, individuals, businesses and everybody will be challenged in navigating the environment of water management to get the outcomes and the understanding that they need.

**Senator McKENZIE:** Okay. So you would like to have a better relationship with the state governments?

**Ms Bradbury:** Absolutely.

**Senator McKENZIE:** In terms of socioeconomic impacts: your submission says that there are insufficient mechanisms for accountability regarding the social and economic impacts.

**Ms Bradbury:** Yes.

**Senator McKENZIE:** Could you flesh that out a little more for the committee? Our previous witnesses went to study after study, and I see in your recommendations that we are going to be doing more studies.

**Ms Bradbury:** Yes.

**Senator McKENZIE:** But as the gentleman from the Hay council said, they have studies a mile high, with recommendations and strategies that are then not being adopted or taken up. So what confidence do we have that another study, with another whole bunch of recommendations and another whole bunch of strategies, will not just sit on the desk in some bureaucrat's office and never actually get outcomes on the ground?

**Ms Bradbury:** I guess it is our view that the gap in the legislation sits in the requirement for outcomes to be measured on environmental impacts and benefits, but there is no requirement or framework against which social



and economic benefits and impacts are measured, assessed, reported and analysed. It comes back not only to the appetite for the authority and authorities to undertake that work, but the framework in which it occurs.

We have seen over recent years study after study land—

**Senator McKENZIE:** Yes.

**Ms Bradbury:** but not resonate or impact on how the social and economic impacts are affecting our community. As a community we do not know, and that has set up this ping-pong arrangement between government and communities on what those impacts are.

**Senator McKENZIE:** Just to be clear: when you say 'government'—we have been fighting about this since federation—we need to be very clear about which level of government. We heard from local government earlier about the issues they are having about spreading the risk, the impact and the cost. Essentially, though, it is a failure of state governments, isn't it, to fund those strategies—tourism strategies and economic impact strategies?

**Ms Bradbury:** I guess that the purview—

**Senator McKENZIE:** I would be interested in which level of government. When you say 'government', who are you talking about?

**Ms Bradbury:** Federal.

**Senator McKENZIE:** Federal?

**Ms Bradbury:** In terms of that statement—

**Senator McKENZIE:** The change in the act?

**Ms Bradbury:** Yes.

**Senator McKENZIE:** I appreciate that.

**Ms Bradbury:** So it is in terms of changing the act and the implementation of the plan, those being the responsibility of the Murray-Darling Basin Authority, which is at the federal level of government. I think the challenges at the state level exist when the requirement of the plan—

**Senator McKENZIE:** So the constraints management strategy, the flood—

**Ms Bradbury:** Yes. When the deliverables of the plan rely on state input and that is not delivered, that has been enormously challenging.

**Senator McKENZIE:** Correct! And it is the implementation—

**Ms Bradbury:** Yes.

**Senator McKENZIE:** where I am sensing the frustration and the anxiety exists.

**Ms Bradbury:** Yes.

**Senator McKENZIE:** Thank you.

**Senator MADIGAN:** Thank you, Ms Bradbury and Mr Toll. In point 4 of your submission to the committee you talk about streamlining the water management environment:

This has contributed to an environment in which outcomes are uncertain, messaging from authorities is inconsistent if not outright contradictory, community engagement is repetitive and insular, and confidence in reporting and data presented is undermined.

I myself and some of my fellow members of the committee here have heard from members of the community that people go to so-called 'consultation' events with the authority in good faith, spend an enormous amount of time with historical fact and with what is actually happening currently, and then find, I believe, that it is not reflected—that even minutes from some of these meetings that are held with communities are disregarded. Is that right, Ms Bradbury and Mr Toll?

**Ms Bradbury:** In hearing from our members it has certainly been their experience, and even in some instances our direct experience of engagement activities that have occurred. I guess, to be generous, that the shared understanding taken away is that the communication has been strong. What has then been implemented or reflected back through actions coming out of the authority have not always been consistent with what members expected would occur.

**Senator MADIGAN:** Mr Toll, in your experience, have people become disillusioned with the so-called 'process'?

**Mr Toll:** I think that probably they have become frustrated. Certainly, over the last couple of years that I have been involved in this organisation as chairman, I have been frustrated that people were coming down here and

looking but not listening. I have lived in the area for 75 years, so I know it, and I have a lot of young farmers that I am very concerned about—for their futures, with what is happening with water. They are telling me things, and they ask, 'Why did I ever become a farmer?' I tell them that I am in there battling for them at the moment, very heavily. We get a lot of knocks at the moment too, but that is the way life goes sometimes.

I can assure you that we have very good young farmers who are out there wanting to be seen and wanting to be heard on how tough they are doing it. But a few of the reports that have left here over the last seven or eight months have gone back to Canberra and said, 'No, everybody's doing all right.' I can assure you that with all this work that is being done on making water run the right way and modernising it, the only blokes doing well out of it are the people who are making the plastic pipe, the stainless steel stuff and the meter readers. I can assure you that farmers are still struggling. They might have surrendered some of their water to get work done on their properties, but they still need the same amount of water entitlement that they had before they surrendered. I am trying to give them some assurance to keep hanging around, because there is somebody out there fighting for them.

**Senator MADIGAN:** Mr Toll, do you think that the collective wealth of knowledge that is in this room today is taken into account when decisions are made by state and federal bodies in relation to the Murray-Darling Basin?

**Mr Toll:** I have been around long enough, and I do get quite frustrated. I have been up to Canberra a fair few times and, while the intentions are good, a lot of the actions after I go up there—well. I make a few suggestions, and tell them exactly what is happening down in the Murray-Darling Basin, from the Murray mouth right up to Albury—that there are a lot of people doing it very tough. And to answer your question: it is a major concern.

**Senator MADIGAN:** Mr Toll, I note that in your verbal submission before you said that it is not easy trying to get the balance right between all the members of the Murray Darling Association because there are varying opinions. It is very difficult for organisations and individuals to represent everybody, but would it not be a good starting point if people actually dealt with facts that are currently historical facts so that when we are looking to the future we can come out with some really good outcomes equally across the social, economic and environmental areas? If people do not actually tell the truth, we are never going to get there.

**Mr Toll:** I cannot help but agree with you wholeheartedly, because that is what is frustrating me. The truth, sometimes, is distorted by the time it gets back to the people that make the rules and regulations; I am referring to when it gets back up there to Canberra. Certainly, when I would go around the whole Basin—I would travel to South Australia, New South Wales and Victoria. I have not been to Queensland much—in fact, I have not been to Queensland, because it is one heck of a long way—but I am hearing stories from there. I have just heard about what is happening around Hay. I happen to know what is happening down the Darling and I am very concerned for the whole Basin, but I do believe, sometimes, that what is actually happening is distorted by the time it gets back to the people that probably make the decisions.

**Senator MADIGAN:** Finally, with the outcome of the plan to date—and I acknowledge, and I am sure other members of the committee do too, that not all problems that are facing farmers are attributable to the Murray-Darling Basin Plan and that farmers in regional communities can accept when Mother Nature deals them the hand that it does, but it is pretty hard to accept that when it is done by people to people. So, conservatively, how much are the effects on communities and farmers in the economy attributable to the Basin Plan? We just want a very conservative figure; we are not looking for an outlandish figure. There are effects out there, and it seems to me that what is truly happening to communities is not being acknowledged.

**Ms Bradbury:** The issue that you raise is exceptionally salient, and I do not know that I or anyone else would necessarily be qualified to even hazard a guess at what the impacts are. Anecdotally? Certainly, they are exceedingly high. Different areas in different circumstances will reflect different levels of anxiety and impact.

**Senator MADIGAN:** One size does not fit all.

**Ms Bradbury:** That is right; one size does not fit all. Having said that, in my opening remarks I mentioned that one of the strongest recommendations that we can possibly make is that, as a result of this inquiry, the authority undertake a greater body of work, and we have been recommending this in our submissions to various bodies of work for several years now: that the authority undertake a body of work that will assist communities and decision makers to be better informed on exactly that question. Without that information, as I was stating earlier, it becomes a ping-pong of 'us and them' and 'we said, she said', and the ultimate victim is the man in the middle who is struggling to achieve what he needs to achieve to feed the nation.

**Mr Toll:** I would like to go back and tell you a story. I have been a farmer all my life. Costs are now killing us; this is what is killing our young farmers and making things very tough. We used to sell 1,500 lambs a year, and I knew that we had to sell 120 lambs to get 120 tonnes of super. Now you have got to sell nearly 600 or 700

lambs to get that amount of super. Costs are just blowing our young farmers out of the way. We just are not getting enough for the product we are producing, yet we have these costs going up. We also have the problem now that water is very short. When I was a kid we used to have our 1,100 megalitres of high-security water, then we would have 1,100 megalitres of low-security water or sales water that we could buy. Then, if there were an overflow in the river, they would give you off-quota. Now those things have all gone by the by. That is the sort of thing that is happening to our community. Young people have got to go out and buy this temporary water, which is forcing them to think very seriously about whether farming is worth going on with.

**Senator DAY:** Mr Toll, we have heard evidence that the Murray-Darling Basin Plan and the buyback in particular have been like a wrecking ball through various river communities because the so-called social, economic and environmental triple bottom line has not been balanced. Yet your organisation opposes the pausing of the buyback. Is that right?

**Mr Toll:** Up to a point that has been thought about. To keep the plan rolling along, very quietly, I have been asked not so much what we can do with the plan but whether we can tweak the plan. There are the three scenarios. There is socioeconomic, and we need environmental flows—there is no doubt about that. We also have to think about the people who live along the river. As I have said before, there are no trigger points. Last year we were flooding a certain forest not far from me after we had had 14 inches of rain, but they continued to flood the forest. They do not have a trigger point; they shut it off. If I am irrigating a paddock and I have had two inches of rain, I shut the wheels down. The other thing was that some of these flows are going down when water is very, very scarce to our farmers. A lot of farmers, right up along the Goulburn, right down to the Murray mouth, are saying, 'Why can't we use some of this water to grow tomatoes, to grow rice or to grow grass to produce milk?' That is the quickest and best way to turn water into money—to water your own paddocks and do it. Senator Day, I appreciate the question.

**Senator DAY:** Just to be clear, do you support or oppose the pausing of the buyback?

**Mr Toll:** I find it very hard to answer that question. As I said, I live in a certain part of the basin, and various people have various ideas. I support what my board wants to be said, up to a point, but I would like to see a little bit of tweaking done of some of the restrictions that have been put on it.

**Senator DAY:** Ms Bradbury, would you like to comment?

**Ms Bradbury:** Thank you, Senator Day. Can I clarify your question. Are you asking whether or not the MDA supports pausing buybacks or pausing the plan?

**Senator DAY:** Yes, pausing the buybacks.

**Ms Bradbury:** The MDA certainly supported the legislation that was recently passed to cap buybacks at 1,500 gigalitres. Our members have also articulated that the impacts of buybacks as a recovery mechanism to achieve the water recoveries required under the plan are not necessarily always the most efficient. They can be the most achievable. It is just a matter of buying it back. But the knock-on effects of recovery of water through buybacks are exponentially manifested. It is multiplied; there is a multiplier effect. When you recover that water through buybacks, it does a number of things. It impacts on available water for agricultural productivity. It impacts on farmers' capacity to manage and maintain irrigation systems and networks. So it is a whole-of-system impact. Also it constrains innovation for better ways to recover water to achieve the objectives articulated under the plan. So, yes, the MDA certainly supports alternative methods to achieving the water recoveries targeted under the plan, other than through buyback of water to reduce the available water for agricultural productivity.

**Senator DAY:** You have suggested that the legislation be amended. Have you some comments or suggestions on how that legislation might be amended?

**Ms Bradbury:** We have made recommendation that the legislation should be amended in a couple of ways. One is in relation to, as we have discussed earlier, how the legislation can be amended to require greater accountability for social and economic impacts, so to provide a framework of measureable outcomes and reporting. We have also recommended that the legislation be amended to enable the sale of water by the Commonwealth Environmental Water Holder and that proceeds from those sales be used to increase water efficiencies through investment in works and measures, which again has the multiplying effect of investment in local communities and also, where possible, for the Commonwealth Environmental Water Holder to make available water for agricultural productivity where it is available and appropriate to do so.

**Mr Toll:** I would like to answer, along with what Emma has just said, what I believe should happen with the environmental water held either in the Commonwealth or in the states is that it should be sold to farmers or people that have rights. Our biggest problem, we are finding at the moment, is we have speculators coming out there, and they are the ones that are probably putting a false price. Water is a very finite product in Australia, and that is

going to get worse and worse until we build more dams or do another Snowy scheme—which our association supported back 70-odd years ago. Murray Goulburn milk factory last week bought 20,000 megalitres from a superannuation fund in Melbourne. They obviously bought it at what they thought was a fair price: \$145. They put their own costs on it, and most farmers were quite happy going out and supporting that. With the environmental water that came out of Canberra the other week, I was talking to a couple of young farmers who said, 'I'm going to bid for some,' and they rang up and offered \$225, and the blokes laughed and said, 'You will not get any chance of getting any of that water.' That just blew them out of the water. That just frustrates them. I think that we need to make sure that any environmental water that is released should go to people that have the entitlement to use that irrigation water for productive use.

**Senator DAY:** You mention a one-stop shop. Given all our experiences with all-powerful central bodies compared to devolving power to local communities like yourself, how do you see a one-stop shop? Are you not a bit apprehensive about an all-powerful central one-stop shop?

**Mr Toll:** As far as I am concerned, I believe that it can be regulated a little bit. The reason I say a one-stop shop, you have heard, as the representative for Hay spoke about before, about the frustration that comes with going somewhere and hearing, 'Oh, that has nothing to do with me,' go to somewhere else. If one person is doing the job, at least you know that you can work on that person to get water some released for beneficial use. At the moment, we get handballed around through the various organisations. So that does worry me.

**Senator DAY:** Be careful what you wish for, Mr Toll. Ms Bradbury?

**Ms Bradbury:** Just to build on what Councillor Toll has said, the recommendation of the organisations is probably less around a single one-stop shop or an all-powerful entity to manage and moderate water than it is a single point of entry. I know that is nuanced, but it is distinct. The organisation has recommended that a body of work be undertaken to identify where the gaps are and where the overlaps are. Whether it is the water market or the water management system or the availability of water, anything to do with the provision and consumption and management of water in Australia is very highly regulated, very highly complex because we are talking about multiple jurisdictions, multiple layers of government and multiple purposes—social, economic and environmental. We have this incredibly complex network of authorities and regulators. So it is probably less about having a single authority or a single all-powerful unit or being—as you say, you have to be careful what you wish for—but probably we are advocating more for a single point of entry to assist stakeholders—and that is stakeholders from decision makers to consumers—to better navigate the environment and communicate and understand what the needs and requirements are in terms of decision making and consumption.

**Senator DAY:** To clear up this 90 years out of 100 versus nine years out of 10 for keeping open what is called the Murray mouth but it is really the Lake Alexandrina inlet, what is your association's position on this 90 years out of 100 or nine years out of 10?

**Ms Bradbury:** The organisation has not adopted a formal view on that specific issue. There has been some level of discussion around whether or not that objective is realistic, achievable, balanced and in the common interest. It is this organisation's position that local knowledge and expertise and experience must inform shared solutions. We have had a very strong and positive response to that position in finding ways and means and opportunities by which the regions of this organisation can develop positions on issues that are naturally fractious and contentious. The organisation has 12 regions across the basin, and we have examples of where that has been done through collaborative work and relying on local knowledge. One case in point would be the association's position on coal seam gas extraction and fracking. In 2014 the organisation undertook a body of work to develop a united position on that that met the needs of all regions. That was unanimously adopted at the 2014 AGM and has since been relied upon to assist local communities to engage with mining companies in their region. So there is the demonstrated ability for the MDA to develop united positions based on local knowledge and expertise.

**Senator DAY:** Given that local knowledge and expertise obviously one of the most important regions around the Murray mouth is the Murray mouth region, and my understanding is that they do not support this commitment to keeping the mouth open at those levels. Is that correct?

**Ms Bradbury:** Again, without a firmly adopted position on that from the region and adopted by the organisation it would not be appropriate for me to make a comment on that. I can, however, say there is a very strong appetite for a collaborative approach and that among our members we have some incredibly balanced and collaborative heads. There are members who are very cognisant of the impacts of decisions of their local community on both upstream and downstream regions, and they do not have a desire to say, okay, this is in my interests and we will worry about what affects you later on.

**Senator DAY:** The reason I ask the question is that it is said in South Australia, in particular, that the people upstream in areas like this have mentioned that South Australia is demanding that the Murray mouth be kept open. I want you to put on record what your association's opinion on that is.

**Ms Bradbury:** I will refer back to the submission by the region that you are referring to. The Alexandrina Council made a submission to the inquiry, and I think I referred to it in my opening remarks, and they have very clearly said that they are cognisant of the impacts of decisions down there on upstream communities.

**Senator DAY:** What I want you to say is, 'No, we are not complaining because there is a demand that it be kept open.'

**Ms Bradbury:** That is exactly the case.

**Senator DAY:** I do not want to put words in your mouth.

**Ms Bradbury:** No. If that is the purpose of the question—

**Senator DAY:** There is that myth.

**Ms Bradbury:** Again, it is evidenced in those collaborative submissions that that is not the case. We do not have downstream communities wanting to decimate upstream communities.

**Senator McKENZIE:** But we do have downstream politicians arguing that.

**Ms Bradbury:** It has been my experience that the view of our members, at both local government and community level, differs substantially, and not in one state in particular over the other. But in our opinion our local communities have a better handle on the opportunities to work together than the state governments may necessarily reflect at that level.

**CHAIR:** Could you give me a necessarily brief run-down of the association? How many members do you have? Do they pay to be members? What is your scope of representation?

**Ms Bradbury:** We have five categories of membership, predominantly local government. The purpose of the organisation is to ensure that local government retains a voice at the state and federal level when decisions are being made. As far as the members go, we have over 100 local government members. There are 181 LGAs across the basin. A number of those are very peripheral to the basin footprint, but across the basin footprint are 181 local government entities. Just over 100 of those are members. We expect to continue to build on that, as we have over the last 70 years. We have individual members and yes, our funding comes predominantly from memberships. Members pay an annual fee and they expect that their views are reflected.

**CHAIR:** Do you receive any public funding?

**Ms Bradbury:** No. We have in the past had a division that undertook project work, and that has often been remunerated. So we have undertaken work with the local land services. We have undertaken work with the authority. We have undertaken bodies of work that have been funded by public entities, but—

**CHAIR:** Project based?

**Ms Bradbury:** Yes, project based.

**CHAIR:** I want to bring this back into the global consideration. The intent of the Murray-Darling Basin Plan is to return water to the environment, because it was not receiving sufficient water. Water was 'overallocated', was the term that was used. Does your association acknowledge that that was a legitimate purpose?

**Ms Bradbury:** I do not know that the association has developed a position that. The focus of the association now is to work with what is currently contained in both the act and the plan, relying on the circumstances that we are now faced with. We recognise very strongly that the history of the development of the plan has been a challenging one and not necessarily ideal. We have taken a very active line in determining to move forward and seek to achieve better outcomes rather than to reflect too much on the past.

**CHAIR:** The implementation of the plan has resulted in additional water being allocated to the environment, with environmental watering plans, greater flows in the rivers—that sort of thing.

**Ms Bradbury:** Yes.

**CHAIR:** Does your association have a view as to what impact that has had on the environment?

**Ms Bradbury:** Again, this is anecdotal rather than a formal position of the organisation, but generally the view of our members—and a large proportion of the individual members are farmers—tends to be that a healthy natural environment is imperative to their future and current production. So there is certainly concern that the balance needs to be right. Agricultural producers need to be able to access sufficient water to continue to produce the resources that we as a country need to survive and that they need to make money. There are certainly some

reflections that the environmental benefits were necessary and have been positive, but now it is about getting the balance right and ensuring that the balance is not tipped too far in favour of the environment.

**CHAIR:** There are various ways of retaining water to the environment, through both efficiency and taking it from agriculture. Do you have a view as to what the appropriate balance between those is?

**Ms Bradbury:** Definitely the view of the organisation is that it is all in the balance. Where is that now?

**CHAIR:** Yes, I know. Everybody talks about balance, but nobody can say what that is.

**Ms Bradbury:** Okay. I think the fact that we are having this inquiry is evidence in and of itself that there are concerns that the social and economic impacts of the Basin Plan have been unfairly and too-lightly weighted, so the impacts have been negative.

**CHAIR:** Yes, I know. But implicit in that statement—and you are not the first to have said that, obviously, to this inquiry—is the assumption that the environment has been overallocated water unnecessarily. That may be true. What is your association's view on that? You did make a comment in your opening statement that there should be no more man-made floods on the Goulburn or Wakool. Has the environment been given more water than it needs, or has the water been misallocated? What is the issue here? Mr Toll, feel free to jump in.

**Mr Toll:** I would like to make a couple of comments. I do believe that the environment has been weighed too much one way. Like everything in life, I believe that things can be tweaked; things can be adjusted. I believe that this plan came in because, certainly, a lot of water was sold by farmers who had debts up over their ears. People were throwing around \$3,000 dollars a meg. Everybody wanted to sell their water—the banks virtually forced them to sell. A lot of people did not want to sell; the banks told them to.

So, consequently, I think too much went to the environmental water holders. I believe there is no reason why the environmental water holders cannot use this water to pay their way. As we all know, we taxpayers are the ones that pay the cost for storage and delivery down the river. I believe the allocation of environmental water to the environment is a little bit too high. I believe that it can be tweaked and that everybody can have a win-win there if David Papps, and perhaps our Victorian environmental water holder, were asked to sell a certain amount of water, if they have the water there to sell to farmers, so that they can also pay their way.

There is plenty of water being run down the river for the environment. After all, we have been around for 400 or 500 years—the trees. People will probably show you where trees are growing down around Swan Hill and all that sort of thing later on in your acceptance of these presentations. But I believe it can be tweaked. I am a greater believer in the environment. You probably will not find anybody who has planted more trees than I have over many years, trying to improve the environment. I believe it can be tweaked. I do not want to do it too much though.

**CHAIR:** You are not objecting to the fundamental objective of the plan; you are objecting to—

**Mr Toll:** No. We just have to get the balance right.

**CHAIR:** The balance—all right. I do not think you answered my question though—you may have. Is the primary problem that too much water has been allocated to the environment? Or, that as a consequence, too much has been taken from agriculture? Or has the water allocated to the environment been misapplied—been used in the wrong way? What is your primary concern—the loss to agriculture or the environmental—

**Mr Toll:** I believe it is the loss to agriculture, to our food production. Australia was notorious for feeding a lot of people, but now we are back to about 20 per cent with the water. What we produced, food, was 45 to 50 per cent of this nation's exports. But while I believe that we want to see the flows that have been used to water certain areas, I do not believe that those warrant the amount of water they have been throwing at them over the years. I believe we have probably over-allocated the water. It is not through the fault of the people up there in Canberra; the people that sold the water were virtually forced or requested by the various banks. Too much water was used up there. I think it is about time that some of it was used to let David, perhaps, pay his way, and the environmental water holders in their states.

**CHAIR:** This question of the Commonwealth Environmental Water Holder has been raised by a number of people, and we have certainly made a note of that. But I guess the question that I do not have a firm handle on is: the complaint about those people who had water entitlements and sold them, and that there was something wrong about that. The argument is: there were willing sellers and willing buyers. What are your objections there?

**Mr Toll:** I do not really have any objections. Every man is able to do what they want to do. But I do believe that there were certain—well, I can only talk about my area—blokes that bought big farms, sold the water the next day and paid for their farms. They do not have any high security water and they are suffering at the moment—they really feeling it when they have to start paying \$280 to \$300 to grow grass.

**CHAIR:** Because temporary water is too expensive.

**Mr Toll:** Yes.

**CHAIR:** I am interested in your comments. The argument is, also: that when water is priced according to supply and demand, availability, and so forth—and leave out your comments and reservations about speculators—it would then go to people who placed the highest value on it. If pasture is not of the highest value but citrus trees are, or grapevines or—

**Mr Toll:** The biggest thing that is forcing water up at the moment are orchard growers. I believe that it could be anything up to 100,000—

**CHAIR:** But you can understand why.

**Mr Toll:** Yes.

**CHAIR:** If they do not water their trees, their trees will die. If they have to plant more, it will take them five years minimum before they will be producing again. That water is, naturally, worth more to them. Do you have a complaint that the water is worth more to some producers than others?

**Mr Toll:** Very much so, but we have to—

**CHAIR:** You do have complaints?

**Mr Toll:** I do have a complaint. As I said at our meeting at the roundtable conference in Melbourne to a chap that said, 'We can grow all the cotton; we can grow cotton in Victoria and New South Wales, and they can pay more for water,' what happens when cotton falls A over Z? Where are tomato growers, dairy farmers and rice growers going to be? They would have gone broke. We have to try to get the balance right.

**CHAIR:** Dairy farmers and rice growers will be growing cotton, won't they?

**Ms Bradbury:** It depends.

**Mr Toll:** But then the world is going to be full of cotton.

**CHAIR:** But then the price of cotton will fall, they will stop growing cotton and they will go back to growing something else, won't they?

**Mr Toll:** I think the dairy farmers would have left. They will leave—

**CHAIR:** I guess the question is: do you know what is best for farmers to grow or do farmers themselves know what is best to grow?

**Mr Toll:** The farmers know what is best to grow. But we want a balance. We need a balanced—

**CHAIR:** But who decides what is balanced? Farmers or somebody else?

**Mr Toll:** [inaudible] the blokes that can make money out of more water.

**CHAIR:** Correct. So the question then is: whose business is it what farmers grow?

**Ms Bradbury:** If I can, Chair, if I may—

*Members of the audience interjecting—*

**CHAIR:** There will be no interjections, please. I am trying to hear the witnesses.

**Ms Bradbury:** Thank you, Chair. The position of the MDA on this is: the argument that water will go to its best and highest value—so that free-market philosophy on water—is one that the organisation is continuing to consider and grapple with. There is a general view that if water, as a primary input into our food production, is allowed to simply go to its best and highest value without effective regulation and without active consideration of the implications that will have on our community, our economy and our food-producing regions—our rural communities—then that is amiss. We need absolutely to ensure that the market supporting water is regulated in such a way—and I have heard other arguments around the need for regulation of our water sector—to ensure that the production of food is secure across our communities.

I guess that goes back to your original question about whether or not the MDA supports the objective of the Basin Plan in the first instance. The primary objective of the Basin Plan is to deliver environmental, social and economic benefit to communities through the management of water. As a primary objective we certainly support that. To go to your earlier question again, yes, there is a sense that the environment has been over favoured in that space. The position of the organisation is that there must be accountable, understandable and transparent regulation of the water market to ensure that our farmers, our primary producers and our food productive capacity is not compromised to the extent that our rural communities are adversely impacted.

**CHAIR:** We heard the same evidence from the community in St George where water rights have been brought back and the community was suffering because the farmers were spending less money in the town. There were businesses that were deeply distressed. There were people who were crying and there was discussion of suicides and things like that. Guess what they grow there?

**Ms Bradbury:** Cotton.

**CHAIR:** Cotton, quite so. I think we might move on to our next witnesses. Thank you very much Ms Bradbury and Mr Toll.



**BRADY, Mr John, CEO, Kagome Australia**

**BURGE, Ms Louise, private capacity**

**KNIGHT, Mr Alister Edward, Farmer/Managing Farmer, Nyton Park Agriculture**

**PEEL, Mrs Raelene Marie, Secretary, Kerang Lakes Land and Water Action Group**

**SIMMS, Mr Stuart Frank, Chair, Kerang Lakes Land and Water Action Group**

**WHYKES-TASKER, Ms Meredith, Owner/Director, Taskers Garage**

[11:13]

**CHAIR:** I now welcome our first group of stakeholders and individuals. Thank you for appearing here today. I invite you to make opening statements, and I am quite serious about keeping them short. If you have long statements, please table them. We do have some documents that have been tabled here, and thanks to those who have done that. They have been circulated to the committee, and I appreciate you saving the committee time by doing that. We will start with the Kerang Lakes, perhaps you can make one statement between you.

**Mr Simms:** Thank you. The Kerang Lakes Land and Water Action Group is a community group that came together some 12 or 15 years ago out of concern, for particularly at that time, for the Barr Creek Tutchewop scheme. This was a scheme to keep the Barr Creek being the biggest point source of salinity to the Murray, albeit 85 per cent of the salinity that past Morgan, and some of the misinterpretations of the Lake Tutchewop scheme. We can go into more detail of that later. With the effects that the Murray-Darling Basin Plan is having on the community, we saw fit that we come here to make the submission. The submission is in two parts. Both myself and my secretary, Raelene, put it together. I think it is appropriate if I ask Raelene to speak to the first part of the submission.

**Mrs Peel:** Point one of that submission regards the social, economic and environmental effects of an existing Murray-Darling Basin Authority salt interception scheme. The Barr Creek drainage scheme commenced in 1968 with no community consultation. Once that scheme commenced the local landholders and the farmers with local knowledge were trying to discuss the problems with the scheme and what they foresaw as problems, but that knowledge was largely ignored. It resulted in some Supreme Court action when this scheme was going to be expanded to the mineral reserves basin. Again there was dissenting science. The scientists were on board as early as 1982, at the time of the court case, that the lake leaked. It was not until 2007 that a report came out that publicly stated for the first time that they could not substantiate the amount of salt being in the lake that was diverted there. So they had put the salt there, but it had gone somewhere else. Just recently, and I have given you a copy of it, there was a newspaper article about the local farmers that had been and claimed to be directly affected by that leaking salinity. Their case for compensation has been denied because by the time they had the proof that it leaked, it was beyond the statute of limitations.

Our concern is that given there has been a lot of local knowledge since 1968 and there has been dissenting science, but nothing has been done. The only reason that we got a study, eventually in 2007, to say that the lakes did in fact leak, was that during the application process to extend the salinity management options for Lake Tutchewop, the Gannawarra Shire Council planning departments actually said: 'No, they listened to the community concern and we want to do a planning permit application process.' Under the rules of the Murray-Darling Basin Authority and Goulburn-Murray Water, who are the operational managers, they believe that they could get all the necessary approvals without that planning permit. One person in the Gannawarra Shire Council said: 'No, get your planning permit.' That triggered the reports that have now led to us knowing that it leaks, but it has been an ongoing problem since 1968.

**Mr Brady:** Thank you the opportunity to have a word with you this morning. I guess we come at it from a commercial perspective. Kagome Australia is probably the most IT-enabled and most advanced tomato grower on the planet. We have advanced technologies that our competitors right around the world do not have. We produce product that we believe is world-class. We have invested about \$150 million in this area and, since March, we started a new business in food service. We already have the contract with people like Domino's and Pizza Hut for tomatoes that we grow in this area. It is a real local pride story. We employ about 300 people through the season and we have recently stopped being a seasonal business, endeavouring to be a year-round business by starting a carrot and beetroot business. We are continually looking for opportunities to strengthen our business and to be an even greater member of this local community. We have fantastic team.

What kills us, though, and particularly our stakeholders sitting in Tokyo, is the risk profile around water prices and the fact that we cannot have a transparent market, and we do not have a transparent market. There seems little

appetite to create a transparent market. It is very debilitating. Our first recommendation in our one-page submission to you is that we need a review of the marketplace and that not just anybody with an internet connection and a laptop can start a water market. There is in-built inflation in the process and we are not paying the right price. We are a 15,000-megalitre user of water. We are the most efficient users of water anywhere in the world. In fact, the Americans have just been here to copy our subsurface irrigation drip systems. All our water systems can be run off our mobile phones. By the way, we had 35 millimetres in some of our paddocks last night, so they cannot say there is a water problem, and yet we are still paying \$300 a megalitre today. So the market is not reflecting what we should be paying. We are looking for one market: transparent, ASX regulated, an ACCC set-up—whatever you guys come up with, but we need something that people can rely on and can trust.

Our second recommendation is about the Commonwealth Environmental Water Holder. Thank God they sold 20 gigalitres earlier this week. They could have sold 200. They carried over more than 460 gigalitres. There is something rotten in the state of Denmark if that is the case. There is more water in our reservoirs than we know what to do with right now. We have an abundance of riches and yet we have farmers walking out the door. This is not right. This system was never established to result in these sorts of implications. We are not talking about throwing the baby out with the bathwater. We are asking for something fundamental and relatively simple and some energy around reform that needs to take place on a piece of legislation that was written in 2007 in the heart of a one-in-100-year drought. The situation has changed a little bit since then, gentlemen and ladies, so let's do something about it. So our second recommendation is to allow the Commonwealth Environmental Water Holder to do something else with the revenue I have just given them for the two bids we were successful on, rather than buying more water and competing with me.

The third recommendation is that we need a review of the whole carryover process. Some people have 100 per cent, some people have 10 per cent. It is not fair. It was not designed that way originally. The carryover process was to stop people wasting water, but it is not working that way. Blind Freddy could see that. We need some relatively simple, relatively easy, relatively mundane reform around the carryover process. The Commonwealth Environmental Water Holder themselves can carry over 100 per cent. That does not make sense, not at 466 gigalitres. This whole valley could triple its food production with that amount of water.

I made five recommendations, but I will stay with those three for a moment if you want to ask me some questions about them. You heard some comment earlier about speculators. We have an open and transparent market. You are not going to stop anybody or particular people, but, if you are going to buy water and you do not pay a delivery charge, then that is unfair. If you buy water, pay a delivery charge or have a diversion licence so that it is an equivalent market for everybody. We are not looking for a handout, we are not looking for free gifts and we are not looking for a fixed price; all we are looking for is a fair go.

**Ms Whykes-Tasker:** Thank you for the opportunity to speak today. I re-read my submission last night, and I thought, 'Hmmm; I've said all this before.' So, without being too sarcastic, I will say that I am sure many people would agree that we have been through this five or six times in the past five or six years. There has to be a room somewhere in Canberra full of submissions with great information that has not been listened to. Nevertheless, I will provide a small business perspective. We own a farm machinery dealership in Deniliquin. We are about 87 years young now; we are on the third generation. We are so committed to our area and our customers. My husband and I took the business over from my husband's parents in 2005, slap-bang in the middle of a drought. We got through it by the skin of our teeth, down to our last two bob. We came out of it in 2010. Things started to get better, but since then, now that the Murray-Darling Basin Plan, which has always been hanging over our heads, is starting to come to fruition the degree of uncertainty in our area is just palpable.

It is like being on the starting blocks in a marathon: you do not know whether to wait for the gun to be fired or just give up and walk away. For our farmers there is really no degree of security on where they are going to go, what their costs are going to be, whether they should invest in new machinery or whether they should invest in PIIOP programs through Murray Irrigation. We start with them at the coalface, which then feeds back to us with our employees. We advertised recently for a couple of new employees. We just got to placing them when zero allocation came out, and we put the whole thing off. So, that is two people we would have put on. We had another young guy last week come for a work placement. We would love to put him on as an apprentice but we are not going to do it in the current frame.

We will get through it, but there will be no growth or development of the young people in our community, which we really, really need. It also goes back to our supply chain. We are not stocking as much machinery as we used to. We simply cannot afford to. That goes back to our suppliers in Ballarat, who build sprayers and all of these types of things. So, it is a flow-on effect right back through the supply chain, as well as being at the coalface for the farmers.

To that end, I do agree with John that the plan was brought in in the middle of an astronomical drought. The land and water management plans had not been able to come to fruition, but for some reason, either a panic or whatever it was, it came into fruition. So, we would like it to be paused and the whole legislation looked at. Again, weather cycles come and go. The plan is written in concrete at the moment. It needs to be flexible, depending on whether there are droughts or flooding rains or what have you. It needs a whole different approach to it.

One last thing: the Lower Lakes is a whole can of worms that needs to be looked at—should they be freshwater or estuarine.

**CHAIR:** We will be looking at it.

**Ms Burge:** Thank you very much to the committee for this opportunity. It is very much appreciated. I can only describe our family's journey with the Murray-Darling Basin Authority as exhausting, costly, and one that leaves me with absolutely no faith in government or environmental bureaucracies. Our family farming business is personally impacted, and we face a higher level of risk than almost anybody. For our family it means loss of half our business. We simply cannot get access to half our business, because it will be cut in half by environmental flows. We have elevated levels of flooding risk. We have change reliability as the Basin Plan decisions to change river operations are going to make our small existing irrigation entitlements insecure. We are going to face a 30 per cent increase on our small irrigation farm within Murray Irrigation. We face 10 years of uncertainty with the rollout of the Constraints Management Strategy. How do we make business investments and decisions and not know what our future is?

The Basin Plan—and, I would say, the decision to release environmental flows—has already cost our business over \$300,000 when environmental flows were put down at the wrong time, in the middle of harvest, with no notification and no consultation. The MDBA's submission to your inquiry states that the Basin Plan is to increase certainty. It is not increasing certainty for our business. Why is there is such a disconnect between the Murray-Darling Basin Authority and the views of the effected community?

When I ask the questions, I already know what the answers are. The Basin Plan was political, delivered in unrealistic time frames in response to drought. The MDBA board had limited experience in water management and refused to accept local knowledge. The social and economic assessments are a failure. The MDBA designed a Basin Plan with the specific purpose of achieving freshwater flows to the Coorong, Lower Lakes and Murray Mouth, with no infrastructure solutions down there being part of the plan. I argue that the MDBA has not abided by its charter to be an independent authority and has not behaved with standards expected of a government authority. The flow targets set for the environment were set prior to any consideration of how the flows would be physically and safely delivered. When challenged, the MDBA on many fronts simply covers up or glosses over its mistakes.

I believe that the public of South Australia have been misled by political campaigns on the Coorong, Lower Lakes and Murray Mouth. The evidence is there. It is all referenced; it is not just my opinion. There are scientific reports that should have been included and have not been. A particular issue to consider is why the claims for the environment on water continue to rise. In 2000 there were the recommendations of the Murray-Darling Basin Commission technical report for 2,000 megalitres to flow over the barrages to cover evaporative losses. By 2002—The Living Murray—that had gone to 1,500 gigalitres, which it was said at the time would deliver, with infrastructure, a healthy working river. From there we went to the National Water Initiative of 2004. Water sharing plans all had new environmental provisions put in place. These have never been tested. The Basin Plan says 2,750 gigalitres by 2012. That is a long way from the original 2,000 megalitres a day, plus there is another 450 gigalitres, which equals 3,200 gigalitres, under the Basin Plan.

Senator Leyonhjelm, you asked the question about balance in the previous session. The irrigators and communities extract 42 per cent of flows from the river; 58 per cent of the water remains within the environment. These are not my figures; these are the Murray-Darling Basin Authority's figures. I believe that the depth of misinformation on the Basin Plan should be grounds for a royal commission. There are solutions, but none of these have been looked at. With public expenditure at \$13 billion—and that is just in the recovery phase, not the total cost to the Australian national economy—how much will this Basin Plan actually cost this nation?

**Mr Knight:** Thank you for the opportunity. I am going to talk personally about experiences I have had from a scientific point of view—

**CHAIR:** Personal experiences are most welcome.

**Mr Knight:** and experiences on groups in relation to environmental watering plans in particular. I would like to focus my comments this morning on four specific issues that I believe require more consideration by the

MDBA: ecological impacts of relocating water from irrigation areas; efficient flows; lack of recognition of the risk of blackwater events occurring as a result of environmental water delivery; and consultation and communication.

On water relocation impacts, the Basin Plan, as you are well aware, aims to increase additional water flows for the connection of rivers and the flood plain, which will help native vegetation, water bird breeding and native fish numbers. However, these aims need to be balanced against negative environmental impacts when water is removed from the agricultural landscape. It is not going to be all positives; they need to be balanced—no need robbing Peter to pay Paul, so to speak, especially when there are opportunities for complementary benefits for improving both productive and environmental outcomes, a win-win for nature and production.

Wildlife does not care about these boundaries, and the MDBA has not acknowledged this. We live in a socioeconomic system. People and other animals and plants are now adapted to this. Now there is a threat to endangered species living within the agricultural landscape due to a loss of productive water, and there is an assumption that environmental water will make up for it. We risk losing these species because of an assumption. When I have raised these questions, the answer from the MDBA has been that the expected improved environmental outcomes resulting from the delivery of environmental water will more than balance any changes to the condition of man-made wetlands. There is no empirical evidence. I could say that there are a lot of expected impacts, or improvements, as well, but that would be dismissed without evidence.

The MDBA has not acknowledged or quantified the ecological impacts that reduced agricultural water use will have species, diversity and density. Studies should have been conducted that outline the range and numbers of species found higher in the flood plain in agricultural landscapes that will be impacted when water is removed to other areas, predominantly the lower levels of the flood plain. There are a host of species that will be impacted and displaced from the removal of water from the agricultural landscape. Where water is being removed to the lower areas of the flood plain, this does not provide a niche ecological environment for their life cycle requirements.

The flood plain areas that are more highly elevated have disconnected from flood regimes now because of the flood protection levies. Additional to this, the area will suffer the greatest impact due to the concurrent removal and closure of many irrigation systems from the landscape that can augment environmental water delivery to key on-farm environmental assets. MDBA watering plans acknowledge that they will only meet a fraction of environmental needs in these areas and they also recognise that these areas are in declining health, especially in parts of the southern basin. To measure the performance of environmental watering programs, the MDBA will use condition indicator sites known as 'hydrologic indicator sites'. Amazingly, it appears that there will be no hydrologic indicator sites in the elevated areas of flood plain most negatively impacted by the basin plan to compare against, nor will there be any metric to report against a measure worse than a no-improvement outcome. The report design is concerning. The same rigour applied to identifying and calculating positive outcomes should be applied to measuring negative impacts. The assumption that the benefits will outweigh any impacts should be tested.

**CHAIR:** Mr Knight, have you got much more to go?

**Mr Knight:** I will be brief.

**CHAIR:** Be quick please. I really would like to hear your personal story, rather than your commentary on the overall plan, if that is possible.

**Mr Knight:** Okay, I will leave out fish and flows. I have given you reference material for that.

**CHAIR:** Yes, as I said, you can table your statement if you wish so that it will be incorporated into evidence.

**Mr Knight:** I have two quick points. Blackwater risk, which I have been raising, is identified as one of the key environmental risks of environmental water delivery. There is no use breeding up fish and then wiping them out. It is a waste of water. It puts great stress on our communities. I have submitted information about that. It has been a frustrating process to get risks acknowledged and have input into that process.

Finally, on consultation and communication, I will give an example from this year. A community reference group that I am on with the Koondrook-Perricoota Forest Alliance has community and landholder-impacted residents, as well as a joint Indigenous group made up of the Yorta Yorta and Berapa Berapa. This year we were not even consulted about an environmental watering project in the Koondrook-Perricoota Forest.

**CHAIR:** Now you are talking. This is something you know about personally. That is what I want to hear.

**Mr Knight:** The first we knew about it was an ad in the paper. We have a community reference group and they were not consulted. We have lost a resource. We had a resource with us from Murray Local Land Services—

an engagement person who acted as a conduit for information from the government through to the community. That resources has been removed. Another example—

**Senator McKENZIE:** Who paid for that resource?

**Mr Knight:** As far as I am aware, at the time it was the Commonwealth who provided money to the New South Wales government through to the Murray Catchment Management Authority.

**CHAIR:** Put it in context—what was the issue? It was an environmental watering plan?

**Mr Knight:** There was an environmental watering plan to go into the Koondrook-Perricoota forest this year and our community reference group has been set up to determine what impacts that will have on our Indigenous representatives and landholders, and landholders who live of the downstream effluence from that forest. We were not consulted.

**CHAIR:** Did you get a blackwater event?

**Mr Knight:** The event did not go through.

**CHAIR:** They did not do the watering?

**Mr Knight:** They did not do the watering because of a range of issues. The Koondrook-Perricoota Forest flood enhancement project cannot—

**CHAIR:** Have you had previous blackwater events from watering that area?

**Mr Knight:** We had the extensive 2010-11 flood event. That was not from a government environmental watering plan, but there are risks in the future that need to be addressed.

**CHAIR:** Have you finished your statement?

**Mr Knight:** I have other examples about engagement—

**CHAIR:** I do not want a commentary on the overall plan and all the helicopter stuff; we have heard that. But I do want to know if you have any personal experience. Now is your chance.

**Mr Knight:** My personal experience is that when I provide input I then have a look at what is being taken away from my input. It basically gets dismissed, especially when it is in relation to improved water quality. If we ask the audience 'Is water quality improving in the Murray River?' what would they say? The general consensus would probably be that it is in a declining condition, because that is the rhetoric that is put out there. If we look at the salinity levels at Morgan, for instance, they have been improving by 2.2 per cent every year or by 80 per cent over 35 years. That is a remarkable achievement. Our Landcare groups—which plant trees, get involved in land water management plans and conduct improved management on their farm systems for improved land layouts and farm plans—deserve a pat on the shoulder. They never get acknowledged for the good work they do, yet the agencies want to bring them along in an engagement process. Those good news messages do not get out there. Also, the issues that are really important that need to be raised just get dismissed. It is almost like: if we don't acknowledge them, we can't be accountable. Thank you.

**CHAIR:** Thank you, ladies and gentlemen. I am going to exercise chairman's prerogative and ask the first questions. Mr Brady: how many people do you employ?

**Mr Brady:** Out of a population of about 300, we will have anywhere between 250 and 275 employed 24/7 during the harvest season.

**CHAIR:** You contract to growers. You do not own the farms or produce the crops yourself. The growers contract to you.

**Mr Brady:** No, that is not correct. This year we will grow about 60 per cent of our volume ourselves on farms that we have leased. The rest will come from contracted growers in the area. Because of what we have just been experiencing here in terms of weather, we cannot afford to have all our farms in one location. So we are as far as Lake Boga in the north and Mathoura in New South Wales, as far south as Rochester and Colbinabbin and as far west as Boort. We have to spread it; that is part of our mitigation of risk.

**CHAIR:** Understood. In relation to the 60 per cent on your own leased farms, do any of those farms have permanent water entitlements?

**Mr Brady:** No.

**CHAIR:** So you are totally subject to the temporary water market?

**Mr Brady:** We are indeed. We have chosen as a business strategy to put our capex in developing our company rather than buying water permanently, so we are totally exposed to the temporary water market. That is our decision but that has been of benefit to the Echuca community in terms of the facilitation that we have built

and the number of people we employ. We have developed our business so that we are a multistreamed business. We are the only vertically integrated part of our global business because we not only farm but do our own processing, our own harvesting, and now we are in the food service business in manufacturing. We are completely vertically integrated, and we can deliver to our customers both here and overseas that provenance.

**CHAIR:** We have heard about the farms on which water entitlements, access to water, has been lost. I think some submissions said they are now growing legumes and feral pigs. If you had a secure water supply or certainty of water supply, is there additional land that you could take up?

**Mr Brady:** Of course. I guess we would expand up to our total installed capacity at the plant here in Echuca. Obviously, as a Southern Hemisphere player in a global business, we are an interesting small player. When the Northern Hemisphere has a weather incident or experiences what happens in California right now with the drought, a lot of global players are looking to Australia for supply, particularly with our currency the way it is, as an alternative.

**CHAIR:** Off season?

**Mr Brady:** That is right, as a counter-seasonal supply base. With the growing Asian market—not that tomatoes are much of a part of their local cuisine—the penetration of pizza and other Western foods is driving processed tomato consumption.

**CHAIR:** Let me just establish this. If there is land available which does not have a permanent water entitlement but has access to water, the only thing that would stop you is knowing that water is available and that the price will be affordable.

**Mr Brady:** That is right. We will obviously look at soil and location et cetera, but, given all those other parameters, of course we can continue to expand. The global market for processed tomatoes grows at three per cent per year and has been doing so for about 25 years, so it is a remarkable sector. With the Asian population also growing remarkably quickly, as well as their penetration of Western foods, we are quite optimistic about the future.

**CHAIR:** How much additional capacity does your existing plant have for additional production?

**Mr Brady:** Without putting in any more installation and just having our existing operation, we could probably put on another 30 per cent. We have already almost tripled in the last three years.

**CHAIR:** Do you anticipate utilising that 30 per cent available capacity or is that constrained?

**Mr Brady:** It is only constrained by the risk factors that we have to take on board around the business future, and one of those major elements is water. We have a break-even point like everybody else—dairy farmers, rice farmers, cotton farmers—will have when it comes to water. As we near that, obviously future investment becomes a little more questioned.

**CHAIR:** Do you think water is more valuable to you that it is to, say, dairy farmers or rice growers or citrus producers?

**Mr Brady:** That is an interesting question as to the value to which water is put. I would wager that it takes 10,000 litres of water or maybe a bit more to make a kilo of steak or a litre of milk. So there has to be some consideration of that, but I am not sure that is the topic of today's discussion. But the efficiency and the usage of a limited resource obviously need to be reviewed. We are a particularly efficient user of irrigation water because of the infrastructure we put in place, but it is very costly. It is about \$8,000 a hectare to put in place a crop, so it is a significant up-front investment. But, as I said earlier, the Americans have just been here looking at what we are doing in order to put in place the same things that we have done, because their labour prices are going up. They are now about \$14 or \$15 an hour. In California, their water prices are similar to ours per megalitre because they are now in the fourth year of a drought, so they are looking at ways of being as efficient as we are.

**CHAIR:** What kind of certainty in relation to the water market would you be seeking? I am thinking here of all the tools available in the financial market around borrowing money or available to wheat producers around forward selling their crops and things like that. What kinds of tools would be most conducive to you to know whether or not it is worthwhile investing further in capacity?

**Mr Brady:** As I said earlier, we are not looking for anything special and we are not looking for anything preferential. I think everybody needs to have the same opportunity. We are looking for a transparent market, just like, in a way, the stock market, where all the stock that is available is of public record. That is not the case when it comes to water. If I try to buy 1,000 megalitres of water today or tomorrow, I will have to buy it through a broker, who will undoubtedly charge me the same price that someone paid yesterday for one megalitre. I do not think that is right and I think there is an inflation built in there with those brokers that is inappropriate as well. I

am just buying like a farmer or anybody else, whether they be a dairy farmer or a wheat farmer. I have over 1,000 hectares of wheat growing right now as part of my rotation crop. We grow faba beans and wheat, and, as I said earlier, we are also growing carrots and beetroot.

**CHAIR:** You are irrigating the wheat, are you?

**Mr Brady:** Yes, we are multidisciplinary. We have to because we have to rotate the crop and we have to get the most out of the soil. I am not an environmental vandal. In fact, I am putting carbon and nitrogen back into the soil. That is why we are growing the faba beans—so that we can draw out more from the soil and actually maintain it and develop it for the future. All of our leases are long term. We are not here for the short term. Therefore, we take a very long-term perspective. There are no immediate gains to be had; it is more of a long-term play.

**CHAIR:** Do you value the water on a megalitre basis in relation to the crop you are producing or in terms of the longer term? Would you put a price on it relative to a wheat crop versus a vegetable crop? Or is it longer-term than that?

**Mr Brady:** We have a rotation program that we have been committed to for the last three to five years, which is over the next five to 10 years. So we are fairly committed with our rotation program and the crops we are putting in place. That has been done for years, and we continue to review that. Obviously, on an annual basis, spikes in water prices will have an impact. Putting water on a wheat crop does not make sense once it goes to 300 bucks a megalitre, so we have to take tactical decisions at the time. But our long-term rotation program is well set and in place.

**CHAIR:** I am interested in this because I think the committee could probably address this in its recommendations: precisely what sort of water trading environment would be most useful to an organisation like yours and others in similar situations? My understanding would be that the value of water to irrigated wheat would be a lot lower than it would be to citrus or vegetables or something like that. What kind of trading environment for water would allow you to make decisions relative to your crops? Is it something like a stock market where you could bid for it? Or is it some sort of off-market type of arrangement? You tell me.

**Mr Brady:** The value of water—as I see it—is not dependent on the amount of water that falls from the sky and it is not dependent on the amount of water that is in the reservoir; it is only dependent on the amount of water that is for sale. Because the markets today—and there is any number of them—do not show the amount of water that is for sale we do not get a fair market.

**CHAIR:** Why do you not get a fair market? Because you do not know what the likely price is going to be—whether it will go up or down?

**Senator McKENZIE:** Can you just step through for the committee what it looks like to purchase water so that we can get an understanding of what you have to go through.

**Mr Brady:** I invite you on your computers to look at any one of a number of water markets that are available today on the internet. The maximum amount of water that would be for sale in any one parcel would be 50 megalitres, 70 megalitres or 100 megalitres maximum. However, it is convenient for a broker to see that and deal with someone like me or a wheat farmer or dairy farmer looking for 200 megalitres or 300 megalitres and say, 'That must be the price.' That is not the price, but that is the price we are going to get charged. There are two inbuilt issues: one is that the price is inflated because of the limited amount that is visibly for sale; and secondly, there is inflation built in by the broker who is obviously adding margins on top of margins based on a small, limited sale that happened yesterday, to charge me or a dairy farmer or a wheat farmer for a couple of hundred megalitres. So it is not transparent and it is not finding its own level because the amount of water that is available for sale is not visible.

**CHAIR:** I still do not understand this. How do you know, when you see 50 megalitres for sale, that that is not the amount that is for sale? Can you explain that.

**Mr Brady:** It is across the whole system. There might be a parcel of 50 megalitres for sale from one particular farmer that is available on the website you look at. But that is not all of the water that is for sale. There are people hanging back who are actively selling water through brokers, but that is not visible to the marketplace or to the website you happen to be on at that time.

**CHAIR:** In a stock market you see the price and you see the trades per day and the amount of shares. You know what the number of issued shares are, but very few of them are actually traded at any particular time. So is that what you are talking about—knowing exactly what amount of water there is, how much is for sale or how much is traded? Of course, how much is for sale would depend on what the price is, so some people might say,

'I'm not going to sell it if it is this price, but I will if the price is higher.' So how do you know how much is for sale?

**Mr Brady:** That is right, but a centralised system that would at least make it more transparent to see what is available, potentially, for trade and what is being traded, I believe, simply because of the fact that it is centralised, would actually relieve the system—so much so that prices would come down.

**CHAIR:** Do you have visibility on historical sales?

**Mr Brady:** It really depends—not across the whole market, no. Across certain websites you get a limited view, and certain brokers can provide you with an amount of information but you pay significantly for that, and I doubt if there are individual farmers who have the same access to the information that I, possibly, can get. So, again, it is not fair.

**CHAIR:** In the stock market, you really do not know how many shares are for sale because it depends what price people are willing to take for them, but you do know what is sold today and was yesterday and the day before and so forth. Would that be an improvement?

**Mr Brady:** It would certainly be an improvement. As well as that, you see directors' sales and purchases; you would see, also, who the megatraders are and who has actually taken megatrades off the market and put them on the market. That would help, I think. It would help give a lot more transparency around who the larger players are and stop a lot of the peripheral noise around this issue.

**Senator McKENZIE:** Thank you, everyone, for your evidence today. I will give Mr Brady a rest now, but I will come back to him because there were a couple of points that he raised that I would like to go into. Kerang, you make comments in your submission about the environmental watering of red gum forests and that there is concern at the new practice of using environmental flows to artificially water the forest. Could you, for the committee, expand on your comments?

**Mr Simms:** We have examples of where environmental water put into red gum forests has had a very detrimental effect, and I am talking of the Avoca Marshes. They were, 30 or 40 years ago, a pristine red gum forest. There were people who considered that they could improve on what nature was doing. As a result, it was destroyed. Red gum will only stand water for three years. Looking at the history of the Avoca Marshes, I think we should be very careful of exactly what we are doing now to the Gunbower and the Perricoota forests. We may finish up killing those trees with kindness.

**Senator McKENZIE:** Do you think that local knowledge is well understood by the state?

**Mr Simms:** No, not at all, and this is the problem. It is people who have not got a local interest or a local investment in those forest that are, at this stage, dictating the rules, and therein lie the problems. I think what Raelene was alluding to with the Tutchewop scheme of 46 years ago was: the locals knew, 46 years ago, that there were going to be problems there, but we were not listened to, and 46 years later we have quite a horrendous problem there. So let us use that history to look in advance, now, and be very careful that we do listen to the local people. With due respect to a lot of the university graduates that are coming out: sorry, but they are taught but not learned.

**Senator McKENZIE:** That is very, very sound advice. Mr Simms, how does a group like yours, and the local knowledge that you have, feed into that process?

**Mr Simms:** With great difficulty. I lobby my politicians, both state and federal, to try and get the point across.

**Senator McKENZIE:** But is there a formal mechanism, through the consultations that the state government is doing in the construction of their strategies?

**Mr Simms:** Yes, and when we get an opportunity like this, we certainly take that opportunity. Yet so often it seems to somehow get lost in the bureaucracy and we do not see it anymore. That is the frustrating problem about us trying to get our word through. It is very frustrating when we, as local people with local experience, do not get that message through and can do little more than to sit back and watch mistakes being made, simply because people do not listen. I think the classic there was the 1911 floods when the SES, with due respect to them, were given total control of the floods. Quite frankly, they made a mess of it, simply because they knew nothing of the hydrology or the geography of the area and did not want to ask the locals what was going on.

**Senator McKENZIE:** Finally, in terms of the environmental watering plans et cetera, are you confident that your local voices on the Gunbower issues et cetera have been heard and that we can have confidence that those forests will be watered in a way that will ensure they survive?

**Mr Simms:** I am not close enough to those forests to be able to talk about that. There would probably be somebody here who would be more experienced.



**Senator McKENZIE:** Is there anyone at the table? Ms Burge?

**Ms Burge:** Our property adjoins the Barmah-Millewa Forest. A classic example is the issue I raised where we lost over \$300,000. I actually was on the Barmah-Millewa community consultative reference group. I had already made recommendations to the bureaucracies and the relevant decision makers that they consult with local landholders. I had even gone so far as to ask for landholder representation on the interagency panel. My request was denied. The response was that only government agencies and Indigenous representatives could be part of that decision making process. So landholders adjoining the forest had no input at all. Consequently, decisions were made to release the water. We lost our crop.

**Senator McKENZIE:** Who set up that consultation group that you are talking about? Was it the state government, local government, the authority—

**Ms Burge:** That group no longer exists, but—

**Senator McKENZIE:** But I want to know—

**Ms Burge:** it was set up by the state government—

**Senator McKENZIE:** The Victorian state government?

**Ms Burge:** but it was handling both federal and state water. The actual group—sorry; it was not handling water. The Barmah-Millewa consultative reference group was only operating for a number of years. It was set up specifically to provide advice on how to consult. I provided that advice on how to consult; that advice was ignored, and mistakes were made. Nobody has taken responsibility.

**Senator McKENZIE:** I appreciate that, Ms Burge. When we are talking about this subject, we have got the authority, we have got the Water Act, we have got state government strategies and plans that are being implemented over a long period of time, and we have got local government and water authorities. So when we talk about bureaucracy, I am trying to be very, very specific—

**Ms Burge:** I will answer the question.

**Senator McKENZIE:** about the consultation group that had the Indigenous but not the local landholder—

**Ms Burge:** That was an interagency group.

**Senator McKENZIE:** Reporting to who?

**Ms Burge:** That is unclear.

**Senator McKENZIE:** Could you take that on notice?

**Ms Burge:** Yes, I will. But, as I said, it no longer exists. The situation now is that there is the EWAG—the environmental watering advisory group—which is a body that needs review, in my opinion, because it is not representative of the community.

**Senator McKENZIE:** Who is on that body?

**Ms Burge:** Again, agencies; there are a lot of environmental groups on there; there are a couple of representatives—there is one in this room, and he may be able to explain it a little better.

**Senator McKENZIE:** We do not know who that is, Ms Burge.

**Ms Burge:** John Lolicato, who is in this room. He is a member and he has done a fantastic job. But the system is not working. There have been discussions on trial environmental flows with David Papps, the Commonwealth water holder. That has been a productive and positive step forward. The problem is: there is no system to allow that to continue.

**Senator McKENZIE:** Thank you, Ms Burge. Just going back to you, Mr Brady, do I understand that your crop rotation program is not for commercial reasons; it is for environmental reasons?

**Mr Brady:** Effectively, yes. Tomatoes cannot grow year after year in the same ground. This year is the first year where we will not have third-year ground in any of our crops; everything is first and second year. We are going to do maybe 1,400 hectares this year. I effectively need double the ground. So we are leasing double the ground in order to produce the crop we are. The rest is used for rotation purposes—either using wheat for putting carbon back in the soil or legumes, of which fava beans are one, to put nitrogen back in the soil. Effectively, it is soil enhancement and soil rotation.

**Senator McKENZIE:** For the pure market economists amongst us—

**Mr Brady:** Are there any?

**Senator McKENZIE:** in terms of where you decide you are not growing wheat, those crops that are actually protecting, enhancing and developing the soil over a long period of time, you do not factor that into the water purchase?

**Mr Brady:** Not growing is not an option. I cannot close the factory for a year, take a holiday and say, 'I'll just sell my stock and take a holiday and come back next year.' We are not in that position. So we will grow; it is just a question of whether we will put irrigation on and therefore what the size of the loss is. It is just going to be larger than it would normally be. Today what we try and do is cover overhead. It certainly does not pay for depreciation, but, in a year where we would not put irrigation on, obviously the loss will be larger.

**Senator McKENZIE:** 'The Environmental Water Holder is committed to consistent and transparent communication of rules and guidelines for environmental water release and trade.' Could you expand on that comment?

**Mr Brady:** Essentially what I am calling for is the timing. There is no use telling us you are going to sell water at the wrong time of the year, because, by then, the plan for that current season is over. If you are going to sell water—either the Commonwealth Environmental Water Holder or even the state based one—telling us you are going to sell water in December or January, well, three cheers, but not many people are going to be out there buying, because the season is over. Therefore it is understanding that cycle so that farmers can benefit from it, if and when it is going to be sold—but announcing that is critical so that someone can think about putting in a bit more crop—'I'll actually put something in that 100 hectares I've got out the back; I'll actually take a punt and invest.' But, if the timing is not appropriate, then it is just like water spilling. When water is \$300 a megalitre and people see it spilling over the banks, they go, 'These people don't understand what they're doing.'

**Senator McKENZIE:** That is right.

**Mr Brady:** That recently happened in Mooroopna—just two or three weeks ago. So we are paying over \$300 a megalitre and there is water spilling. That does not make sense to local people. That tells us: 'Someone up there doesn't know what they're doing. They're asleep at the switch.'

**Senator McKENZIE:** Mr Brady, or anybody on the panel before me—because you are very, very experienced in this space—on that decision by the Commonwealth and the state water holders to pick December and January to make that water available, does anybody have any understanding of what the rationale might be for those bodies? Hansard does not pick up shaking of heads.

**Mr Brady:** No.

**Senator McKENZIE:** And you have all been involved in this space for a long time?

**Mr Brady:** Yes. It makes no sense.

**Ms Burge:** No.

**CHAIR:** Late cotton crops perhaps, at best.

**Senator MADIGAN:** Ms Burge, I note in your submission to the committee you said:

The MDBA has not disclosed transparent details around the 18 environmental indicator sites nor provided transparent information on what specific objectives are being sort over and above existing conditions.

Have you been told why they will not give you the information? You obviously all have to be accountable for what you do with your water; it is obvious you are suggesting that they are not accountable for what they do with the environmental water flows.

**Ms Burge:** I think it goes back to the question of what changes occurred between the original guide to the Basin Plan and the final version. In the guide to the Basin Plan released in October 2010, the plan was quite explicit: 2,000 of the 3,000 gigalitres were to flow out of the Murray mouth. There was substantial community anger about aspects of the Basin Plan and the concentration on the end-of-system flows. In response to that, the second and the third version—which became the final version of the Basin Plan—actually tried to deflect the end-of-system flows, even though the issues were still there. It became about the 18 environmental indicator sites. I described those as a ruse or a deflection of the actual original intent.

Then you try to find out details about where they are, what they are, what is the measurable difference. There is a list of 18 indicator sites but it is hard to find. There is no transparency about what is the benchmark of what they are now and what is to be achieved, nor is there any mechanism to say why have we got 18 now when under the Living Murray we had six or seven. This is an example of continuous change and continuous claims with no substantiation. If I cannot answer what those 18 indicator sites are and what is sought to be achieved, and I live and breathe this stuff all the time, I think there is a serious problem. It is either not transparent or they have been

utilised as a mechanism to deflect the real intent of the plan, which was to focus on a freshwater solution in the absence of any other meaningful infrastructure options.

**Senator MADIGAN:** So you are saying there is no analysis from when we started to where we are and where we are going—there is no empirical evidence that you can obtain to prove there has been a positive result or a negative result to date, so you are questioning, then, how we are going to ascertain whether the plan is working or it is not working?

**Ms Burge:** It goes right back to the year 2000—2,000 megs a day was to cover the evaporative losses for end-of-system requirements. With Living Murray, 2002, their scientific reference panel said 1,500 gigalitres with infrastructure works. Those infrastructure works were still being completed, and the Perricoota-Koondrook was an example of that. We have no defined measurement of what environmental objectives we are trying to achieve. Are we trying to set an environmental state that is from 1750, 1880, 1975, 2010? If we look at the Barmah-Millewa Forest, it has had over 150 years as a working forest so it is a much more dense forest than what nature would have created. There are more stems per hectare. With the Basin Plan, what are we trying to achieve over and above what is already there? It is worth noting that the Barmah-Millewa Forest already had an irrigation allowance of up to 150,000 megs. That was achieved before the Basin Plan. I am not clear exactly what we are trying to achieve, but these continued claims are never challenged.

**CHAIR:** The Murray-Darling Basin Authority publishes environmental watering plans. I presume you are familiar with all that. What do you think of them and their efforts to say this is what is happening in relation to the environment?

**Ms Burge:** Again I think there is a lack of transparency about exactly what is going to be achieved. It is simply recorded or referred to as the government is going to water X hectares and is going to create XYZ bird breeding events.

**CHAIR:** I am not defending them or seeking to take anyone's side here, but they do go further than that—they do have bird breeding monitoring and they do have salinity monitoring and there are other environmental monitors that they apply, aren't there?

**Ms Burge:** Yes, that is part of it but I think in order to measure outcomes you need a benchmark at the start and a measure point at the end. We do not have those parameters in place.

**CHAIR:** Indeed we do not. I agree; I think that is a valid criticism. Nonetheless, if you took the authority's point of view that they are monitoring these things and that if nothing else they will be measuring trends—

**Ms Burge:** I will give you an example of environmental flows that were being proposed just recently.

**CHAIR:** I was talking about environmental watering rather than flows. I think there is an issue in relation to flows. We have had quite a number of witnesses talk about the negative effect of the high flows on river banks, trees on the river banks and those sorts of things. Your point was that we really do not know what we are trying to achieve in environmental terms. Water flowing down the river is not really an environmental benefit—it has to go somewhere. The MDBA do have environmental watering plans. They do do some monitoring. Whether that is appropriate, sufficient and all that sort of thing is open to question, perhaps. I am just wondering, when your statement was, 'We do not know what is trying to be achieved—

**Ms Burge:** Over and above—I will give you an example. One objective was to use environmental flows to drown out red gum suckers growing in the Moira grasslands in the Barmah-Millewa Forest. Why were the red gum suckers occurring there? They will occur naturally, but is that effective to have this continuous application of water as a mechanism to drown red gums out, naturally encroaching into Moira grasslands? That may or may not be an appropriate objective. I have no problem with that. The question is: what is the best solution?

**CHAIR:** I would just like to pick you up on the point: you are not aware of what the plan is trying to achieve. I think the point is more valid that those administering the plan think they know what they are trying to achieve. What you are saying is that you do not agree with the way they are going about it.

**Ms Burge:** If you look at Barmah-Millewa, it is a Ramsar listed site. The ecological character descriptions of that Ramsar site state that it only needs 25,000 megs a day flow. The current watering is saying 35,000.

**CHAIR:** That reinforces my point that they think they know what they are doing and you think they do not.

**Ms Burge:** I would say that they have not been transparent about what they are trying to achieve.

**CHAIR:** They are relatively transparent on their website.

**Ms Burge:** I would describe the MDBA's capacity to produce reports as phenomenal. I would describe the local inclusion in developing those reports as nonevents.

**CHAIR:** So that is a consultation issue.

**Ms Burge:** I you look at the term 'consultation', it is measured by the number of meetings, not the outcomes from those meetings.

**CHAIR:** Senator Madigan.

**Senator MADIGAN:** Mr Knight, in respect of your earlier presentation, we had the 2007 Water Act, the second worst drought in our history. In the formulation of the plan and this grand vision of what they are trying to achieve, whatever that may be, was any acknowledgement given to what the environment was, what the river was, prior to the locks, the weirs and the reservoirs being in place, prior to irrigation?

**Mr Knight:** I suppose that comes back to what Louise said before. What benchmark is used? We have a modified system—they have acknowledge that. There are statements out there that native fish are only 10 per cent of what they were naturally, and these sorts of things, and there is no empirical evidence of those things. It is frustrating the process. I have probably not answered your question.

**Senator MADIGAN:** Is it a historical fact, Mr Knight, that there is more water going down the river since the locks, the weirs and the dams were built than there was prior to man's intervention?

**Mr Knight:** There have been queries about how the sustainable diversion limits were developed. We have cleared the catchments, which absorbed run-off. If you look back at historical records, the first explorers said that the soils were spongy, full of organic matter and absorbed high rainfall events before there was run-off. So the sustainable diversion limit has been developed on water flows through the river system from 1998 to 2012, as far as I am aware. So where do we go back to? Before land clearing? To the flows that happened after there was modification to the landscape and probably some overgrazing and loss of soil carbon? There are examples of where people have changed land use practices and have holistic grazing practices, and the water does not go to their dams anymore on farm and they have to use groundwater, because water gets absorbed in the landscape. So what benchmark do you use for water flowing out to sea and the highly variable nature of our system?

**Senator MADIGAN:** Ms Whykes-Tasker, would you be able to elaborate for the committee the effects, say, on your own business and how that affects other businesses in Deniliquin, for example—like the critical mass that is required to sustain businesses, communities and farmers, and how it is all interrelated?

**Ms Whykes-Tasker:** Yes, it gets back to: if there is less coming in and going out, there is less need for services in the community. If there are fewer parts coming in, less transport going in and fewer commodities being shipped out or being produced, the transport industry suffers. Not only do we suffer; every other little business in town will suffer, because you are not servicing as many customers. Everybody is sitting on their money—their plans about what they are going to do. In the end there can be no forward planning—or very limited forward planning—and that critical mass of covering your basic costs every week just gets bigger and bigger, if there is less turnover. It is not only us; it is transport, businesses, freight companies, subcontractors—air-conditioning guys, tyre guys. For any other business in town that operate agricultural supported businesses, it just gets tighter and tighter. It is not just us; it has a whole flow-on effect.

**Senator MADIGAN:** For the benefit of the committee, can you give us a personal example in your business so that we have got an idea of the effect on your business to show the scale of what is happening.

**Ms Whykes-Tasker:** It is employment, firstly. We have got to cover our basic costs every week. Instead of putting two new people on, an apprentice or something like that, there just isn't the revenue coming in to cover those extra costs. Two people we have not put on, apprentices we have not put on. As a result of that, we are not going to buy two new service vehicles—two vehicles that will not be purchased locally. Your floorplan stuff—everything that we put on, we cut down to the bone. We are not using financial services as much, so we are not using the services of the local bank or whoever as much, because we cannot afford to or do not want to. We are just sitting on our hands. We were looking at bringing a family with two kids into town and we had found a rental property. We cancelled that, so there are two fewer kids coming into town. That is another family that will not be relocating, so there are school, hospital and health implications. Everything gets squeezed. You are trying to build to support your customer base—your farmers—but you cannot, so you have got to try and cover their needs but, at the same time, you have to be mindful of your own costs. You want to grow your business at the same time, so it is a very difficult situation.

**Senator MADIGAN:** Ms Burge, in your submission to the committee, you said:

The frustration however and ultimate breakdown in trust has arisen because local knowledge was not valued or incorporated into decisions.

That seems to be a common theme here today and elsewhere. Could you give the committee a personal example of that in the case of you and your family.

**Ms Burge:** My first exposure to the Basin Plan was in Canberra in 2009 and I made that very point at that meeting. I really encouraged the MDBA to work with local people to build the Basin Plan. I believe that in any environmental policy it is best to be inclusive of stakeholders at the start and get the platform right, then you will get good decisions and you will get community endorsement and support for such a process. It does not matter what sort of environmental policy. This plan has not incorporated local knowledge and that is why there are so many mistakes. That is why even today—all these years later—there is no community support. That says that there is something fundamentally wrong with the process. I believe would have been far more cost-effective for government to have taken those inclusive stakeholder steps.

If we look at the pink batts scheme, what was the one underlying message out of that? That industry warnings were ignored. What we are facing now is of the same proportions in terms of cost to the government. I feel absolute sympathy for the families that lost their loved ones with the pink batts disaster. The cost of failure of inclusion of industry, or local knowledge, is going to cost this nation dearly and nobody is pausing. I am so grateful for the opportunity for this committee to actually inquire about it because, as was said today, the decisions were made in the heat of political cycles and in the heat of the drought. We need to step back and review and get the best outcome for the environment and the people, and I believe it can be done. But there is a reluctance by the MDBA, or the political process, to take that step.

**CHAIR:** Ms Burge, you have got a farm and you are an irrigator yourself?

**Ms Burge:** Predominately a dryland farm. We have a very small irrigation licence off the creek and we have two bores, but we are predominately a dryland farm.

**CHAIR:** In your opening statement, you said your property will be flooded and the implementation of the plan has already cost you \$300,000 in lost business. I want to hear your personal story. Why will your property be flooded? Has it been flooded already? How has it cost you money?

**Ms Burge:** Following the drought, my husband grew the best wheat crop he has ever grown and we were ready to harvest in late 2010-11. The Murray River was naturally high and we accepted that in those naturally high events our creek crossing would go underwater. But what we did not know was that the decision was made—the MDBA and the New South Wales government made a conscious decision—to extend the duration and height of those natural flows beyond what would normally have occurred. So instead of the Murray River and then our corresponding creek falling at a particular time leading into Christmas, it actually stayed high. We could not get our header across the creek and we waited and waited. We looked at all the readings—all the river heights—and we were expecting the water to drop but it did not. When we did get our header across the creek my husband stripped five header loads. We got five days of rain and we lost the lot. It wasn't that our crop was flooded; we simply could not get access to it.

**CHAIR:** And you could not have got your header across the creek any other way?

**Ms Burge:** No. We could drive 50 kilometres round, but those gullies were under water as well on neighbouring properties.

**CHAIR:** I see.

**Ms Burge:** The sad thing about is that I did not know until I was coming back from a trip to Adelaide. I happened to call into the Murray-Darling Basin Authority meeting in Mildura. They had big maps up on the wall and they were explaining about these environmental flows. It was only then that I realised. I looked at the dates and I realised why the river did not drop.

**CHAIR:** Did you say that your property has been flooded, or will be flooded?

**Ms Burge:** It will be flooded under the proposed environmental flows. We do live in a flood-risk area, and we accept that. Those big floods might only occur every 15 or 20 years—that type of scenario. Under the Basin Plan there is a proposal to create high-flow events of 65 to 80,000 megalitres to the South Australian border. Even below that there will be serious consequences for our property access. But once you get up to 50, 60 or 70,000 megs—and the basin authority wanted to create 77,000 megs—that prefills all the Barmah-Millewa and Cadell Fault area. They plan to put environmental flows down the Goulburn and to time them with the Murray to create these high-flow events.

There has been no flood-risk assessment. When the system is pre-filled and the forest is pre-filled with water, you get those unrealistically-high river events. The regulated height is 10,500 megalitres and we are talking about up to 77,000 megs; they have dropped that to 65,000 but they are still pursuing the 65. If we get one more rain

event up in the Victorian high country, in the mountains, or a big event over Hume, if Hume were full—but predominantly the big risks will come down the Ovens River, which is an unregulated river—then we will go from a man-made, environmentally-managed flow to a major flood disaster.

We know that because we live there. All the stakeholders are saying the same thing and our warnings are ignored.

**CHAIR:** Okay. We are going to run over time a little. Mr Knight, I have not yet heard your personal story about your farm and the effect of the implementation of the plan on you. Could you just explain that for the benefit of the committee, please?

**Mr Knight:** I am not a landholder, sorry. I am just a community representative.

**CHAIR:** I am sorry—I misunderstood. In that case, Senator Day has not had a go.

**Senator DAY:** I have a question for Mrs Peel. I sound like John Steed when I say that—Mrs Peel, you must get that all the time! I want to ask you about the Barr Creek scheme. We flew over the lakes that you mentioned in your submission on our way to Barham a few months ago, which triggered this whole inquiry. We are hearing a lot of allegations of historical environmental mismanagement—in the name of the environment, of course—in particular, the Lower Coorong, Macquarie Marshes and so on. Would you say that the Barr Creek scheme, which was meant to help the environment, has actually done more harm than good? Is that what you are saying in your submission?

**Mrs Peel:** Yes. For our local environment, very much so: 1.4 million tonnes of salt has been imported into our district from another catchment. They were not responsible for their own drainage water—they were off-shooting it onto us. That 1.4 million tonnes cannot now be accounted for. The community long believed that that lake leaked, and there is now science to show that that lake did, in fact, leak. So it has had a devastating effect on our local community.

Salt harvesting as a viable operation out of those lakes was stopped when that scheme commenced. The Murray-Darling Basin Authority has their own figures of a 300 per cent increase in salinity of the Murray River between where the Barr Creek enters the Loddon and then into the Murray at Swan Hill. That water, and the salinity that was put into Lake Tutchewop went somewhere. Ultimately, it has probably ended up back in the Murray. The land of the landholders whose properties were primarily affected lies between Lake Tutchewop and the possible intersection with the Murray of that saline water.

A lot was done to try to save the Murray but, ultimately, I believe that the water ended up back in the Murray anyway.

**Senator DAY:** Thank you for that evidence. That brings me to the red gum forests. Can you add anything or make some comments that the water that was added is actually killing these forests with kindness? 'Killing with them with kindness' I think is the phrase that you used.

**Mrs Peel:** Yes. My grandparents came to the Mystic Park area in 1950, and they bought the property at the north end of the Avoca marshes. At that time, the usual flood regime was one flood in four years, and when the water finished outflowing—we would have floods in September, that was around the usual time. Water would run for a couple of months or so, and then there would be water left in Third Marsh particularly that was left to evaporate. In 1969 a concrete sill was built through the outfall of the Avoca River that ran through our property. On our property it was 18 inches high. It was a fixed sill so that when the water reached that level there was no other mechanism for it to go over. That then held approximately three feet of water in Third Marsh, whereas before it would hold there and evaporate over the subsequent summer. That water was then held there and it was not evaporating. The flood regime in the 20 years that that concrete sill remained fixed changed from flooding one in four years to 17 years out of 20 there was water in Third Marsh. The water in Third Marsh was saltier than seawater because it could not get away. Farmland that we were growing crops on was affected by salinity and it was no longer viable to use that land. Our land had a range of A to D class soils, and holding that water in had a big impact on a lot of our soils. It is estimated that more than 100,000 red gums were killed in the marshes during that period of time.

**Senator DAY:** The Australian Conservation Foundation made the comment that 'about 17 days of flooding is not very much'. What response would you have to that comment? Anyone on the panel can answer that.

**Mr Simms:** I remember an old sleeper cutter saying the best red gum timber for sleeper cutters was red gum timber in three feet of water for three months every three years. That appeared to him to be the ideal watering regime for a red gum forest.

**Ms Burge:** I think I might have the ability to answer that question. When floods occur in September-October, it is often very hot in the Riverina, so for floodwaters over pastures it would burn pastures when water is held for that length of time. We have already had examples of this in 1996, when the Hume Dam wall moved. They had to release water. Water was held up for a prolonged period. You could still see the scars on our front paddock for probably 10 years afterwards. It sterilised parts of the soil.

With regard to what the 17-day flooding would personally have on our family: I would have to use the toilet outside in the garden, I would also have to go to the supermarket by boat, and I think the list can go on; I would have OH&S issues with my husband, my son, our family getting from A to B. I think it is a totally unrealistic statement.

**Senator DAY:** This question is for any panel member. I am looking at the dollar value of environmental use of water versus agricultural use. One study has suggested that there has been \$11 billion worth of benefit to the environment by purchasing water. Could any of the panel enlighten the inquiry about what the agricultural or horticultural value of water, say per megalitre, might be?

**Mr Simms:** We went through this exercise. I was chair of the Kerang-Swan Hill Salinity Management Plan for 12 years, and we went into all those types of economics—thresholds, salinities and those sorts of things. I am interested to hear you quoting a figure, because, to my reckoning, there has been no dollar value ever put on the value to the environment of water. I do not believe anybody has come up with a regime, but we can calculate very closely what a megalitre of water is to agriculture. We know we can grow a tonne of lucerne with a megalitre of water—perhaps a little more—and a tonne of lucerne and might be worth, perhaps, \$400. On that point, with one and a half million having gone to the environment, we have just sacrificed the ability to grow one and a half million tonnes of lucerne hay. If you put that megalitre of water through a grape vine or a fruit tree, you are probably looking at somewhere nearer \$2,000.

**Senator DAY:** \$2,000 a—

**Mr Simms:** A megalitre. There may be some here who would correct that. My figures are getting a little bit old. We can generally calculate very closely what it is worth to agriculture.

**Senator DAY:** If you could point us to that and provide some of those—

**Ms Burge:** There is a report here, an economic evaluation of environmental benefits in the Murray-Darling Basin. This report was not released for an extended period of time. There were numerous requests for this report to be released.

**Senator DAY:** Is that the \$11 billion figure?

**Ms Burge:** It values the environmental benefits as \$11 billion. The question is: how was that valued? It was valued at that because of phone surveys of people all over Australia, who may or may not be in the Murray-Darling Basin. The questions asked were things like, 'Do you value bird breeding events,' et cetera et cetera. There were a whole range of things. I would like to put on record—

**Senator McKENZIE:** Sorry—'Do you value bird breeding events?'

**Ms Burge:** People were asked to evaluate how they valued the environment. It was a phone survey. The figure of \$11 billion was brought in. The \$3 billion—that is three billion, not three million—was if the Coorong Lower Lakes were added in. That added another \$3 billion because of boating and a whole lot of other things. I am not trying to focus on that too much, but I know that the issue being unresolved is affecting our business, and that is why I feel so emotional about it. This particular survey is, I think, an emotionally based survey. It is not a factual research document, and I think that is why it was suppressed for so long.

**Senator DAY:** Perhaps Mr Brady could also make a comment. For this area in particular, those kinds of value judgements—where some say there is \$11 billion worth of benefit to the environment versus \$15 billion worth of food, horticultural jobs, schools, river communities, family farms and so on—are going to be important considerations in the deliberations of this committee.

**Mr Brady:** In terms of the local community, our estimate is that we put in about \$22 million to \$23 million every year into the local community—that is aside from grower payments and aside from salaries. That is local procurement of services, essentially. We think that is a significant amount. Our turnover is about \$85 million a year on an annual basis. It is about one megalitre for about 15 metric tonnes of tomatoes. That is about the average. So, you can see it is \$300 a megalitre. Essentially, from our perspective, it is one of the most important input costs, aside from energy and labour. It is the one that creates what my other colleagues at this table have talked about: the risk profile, and, therefore, your confidence in going forward has a big impact because of the inflationary nature of—

**Senator DAY:** That is very helpful, thank you very much.

**Mr Day:** I am aware of that report. It is in appendix H of the Wakool Rivers submission, which I have supplied. I also have concerns that the report assumes that there is no wildlife with productive water. When we grow a rice crop, it is full of a range of endangered species, including southern bell frogs and endangered bittern. There are only 1,000 or 1,500 Australasian bitterns left on the planet. I found out that there are 1.3 bitterns bred for every 100 hectares of rice grown. There is a range of environmental benefits associated with productive water, but that is not included. It is basically saying that productive water does not have any environment benefits.

**CHAIR:** We will have to wrap this up.

**Senator McKENZIE:** I may need to put this on notice because I know we have time pressures. Ms Burge, in your opening remarks you talked about socioeconomic assessments of failure. We heard earlier this morning from the Hay council about social and economic assessments being a mile high and sitting on a desk, with multitudes of strategies and plans being developed by state governments that are not actually put into action. I want you to flesh out why and how the assessments are a failure, on notice.

**Ms Burge:** I will give you a one-line answer: they were initially done, but they only spoke to irrigators who were affected and were willing sellers at the time. It was very early on. The surveys were not comprehensive. They did not cover all the businesses. They did not cover people who were not selling water. There were people like us who were dryland farmers in riparian areas. They were not comprehensive surveys; they were done at the very start of the Basin Plan process and there has been no process since.

**Senator McKENZIE:** Why wouldn't the New South Wales and Victorian governments be interested in the socioeconomic outcomes of the implementation of this plan?

**Ms Burge:** I think the state governments know they are under political pressure. They have to agree to this Basin Plan no matter what. Their hands are tied and they think, 'What's the point?' Everyone knows there are problems, but nobody is changing it.

**Senator McKENZIE:** Thank you.

**CHAIR:** Thank you, ladies and gentlemen, for your evidence today.

**Proceedings suspended from 12:47 to 13:32**



**BRADFORD, Mr John, Delegate, Southern Riverina Irrigators**

**CONDELY, Mr Norman James, Representative, Lake Meran Diversion Licence Holders Group**

**LOLICATO, Mr John, Chairman, Murray Valley Private Diverters**

**MAY, Mr David Greig, Chairman, Wakool Landholders Association**

**PIKE, Mr John Robert, Chairperson, Lake Meran Diversion Licence Holders Group**

**ACTING CHAIR (Senator Day):** The chair is just running a little bit late, but we will make a start. I welcome our panel stakeholders. I think everyone has heard the initial statement regarding parliamentary privilege and so on. Thank you for appearing before the committee today. Mr Pike, would you like to make a brief opening statement, and then we will go along the panel. Thank you very much.

**Mr Pike:** Thank you for the opportunity of appearing here today on behalf of the Lake Meran Diversion Licence Holders Group. Norm will be reading an opening statement, but I am a farmer in the area adjacent to Lake Meran. I have pumping licence rights on the lake and I have had time to see that the way the lake has been treated historically has proven to be a very good way to have it treated. Thank you.

**Mr Condely:** I hold a diversion licence on the lake. Firstly, thank you for the opportunity to participate in this inquiry. We have provided each of you with a supporting document pack for your reference. Included in this pack is a Price Merrett document, that had been included in the original submission, but was left out because of some misunderstanding. We have paid for this document to be prepared by Price Merrett and we have a licence to use it; it contains their intellectual property and this document backs a position.

Regarding the triple bottom line, the Basin Plan claims that it balances social, economic and environmental demands on the basin's water resources. Historically, Lake Meran was generally maintained at a level that benefited all users, including irrigators and recreationalists, while sustaining the native flora and fauna. With the creation of the Lake Meran environmental watering plan, this has not been replicated, having been prepared by the North Central Catchment Management Authority. The environmental watering plan justifies NVIRP's, now G-MW, strategy to recover water savings, at the expense of the social, economic and environmental sectors. The flushing regime created by pumping licences in the past has resulted in a healthy system in comparison to other lakes in the area, as is recognised in extracts included in the supporting documents provided today. These acknowledge the necessity of a flushing mechanism to remove salt loads from the lake systems. In this case, if Lake Meran is allowed to become increasingly saline, any flood, natural or artificial, will most certainly degrade lower lakes in this complex.

After four years of discussions with relevant authorities, very little progress has been made. Disputed restrictive local management rules based on inaccurate data can only promote negative outcomes and potentially cause long-lasting damage. It appears the use of water for agricultural purposes in this scenario is not being recognised as a positive by the relevant authorities, despite the proven benefits of the flushing regime from pumping. If the practices outlined in the current EWP for Lake Meran are enforced and the pumping licences continue to be considered a threat and restricted, what measures will be employed to combat salinity then? We are concerned that any decisions made will set precedents with regard to Lake Meran and will potentially have permanent detrimental effects on this and other lakes and waterways across the state and respective communities.

The Murray-Darling Basin, as we all know, consists of predominantly rural communities with a population of over two million. As stated by the Murray-Darling Basin Authority, it is Australia's most important agricultural region. The basin produces around one-third of our food supply and billions of dollars for the national economy. Why are we putting this at risk? Should we not be concentrating on building our communities and agricultural sectors to coexist with the environment and to secure Australia's food supply? We do not advocate scrapping the plan; that would be a gross waste of taxpayers' money. We call for issues raised by the people to be acknowledged and taken seriously and necessary adjustments made to improve the plan.

**Mr May:** We represent 350 farmers between the Wakool and Edward rivers in the western part of the Murray irrigation area of influence, so we are right where a lot of water has come from. We are really good at producing food and we continually hear about the ever-increasing need to produce food, yet we have government fixated on implementing this plan. In this era of climate change, everyone has to adjust to a life with less water, even the environment. It does not make sense to use all this water in the name of the environment; it is just not smart. Every time one megalitre of water leaves our system and goes into the sea, that represents a tonne of rice or four lambs. I think we have to get back to that sort of rationale. This is how much it is costing our area. We are in a low-inflow year and we are fearful that our irrigators have just had enough and are looking for a way out, so we have to be conscious that we do not let this escalate.

What do we want? We want to pause the plan and give our communities time to catch up. We have no confidence in or ownership of this plan and the MDBA has no credibility in our area. There is no balance in the plan. Let's slow down and just see what can be achieved with the water that has been recovered so far. Even the Commonwealth Environmental Water Holder has suggested that he would have enough water in his resources to see what can be achieved, so maybe it is time just to slow down. We want and deserve sincere consultation. In the past, this has been, at best, tokenism. Regarding recognition of the allocation system, this caused a lot of the problem initially. When this plan was developed in the millennium drought, people just did not understand how allocations were made in our water system. As irrigator groups, that is something we have probably been pretty slack on, but I think people's perceptions will change once they realise that we are basically the last people to get the water.

As to the local impacts, you would have heard from Murray Irrigation in Griffith; 27 per cent of their water has gone. Fifty per cent of the water in the Wakool local government area has gone, so you can imagine the problems there. We, as irrigators in a private irrigation group, are fearful that there are not enough people to share the burden in the future, so we have got to be very mindful of that.

The mental anguish that our area is experiencing at the moment through the lack of real consultation—we get so frustrated. We spend hours and hours and hours meeting with the MDBA, trying to get our points across, and then pick up a report and they have not acknowledged it at all.

The local demographics of our area have changed. They have speeded up. We have got a lot of farms that have put off people, so we have got a lot of low rental accommodation, which is creating issues in our area.

The solution: get the balance right. We need irrefutable proof. Treasury needs to evaluate the costs of the plan. Certain initiatives have been developed through this process that have been divisive with on-farm efficiencies, buybacks, infrastructure works and environmental infrastructure works. I think the Australian public have the right to look at just how much this plan is costing. There has to be an independent review of the MDBA. At the moment, they are marking their own homework, so we have got to be mindful of that.

In effect, they have moved the environmental problem from one area to another. Acknowledging environmental benefits from productive water—to date we have little recognition of just how much environmental benefit we gain from productive water. Evaluation and monitoring—we should evaluate and monitor all aspects of the plan, not just the good things that the environment is achieving.

Ways to achieve this: allow the Commonwealth Environmental Water Holder to trade and use the proceeds to cover the costs associated with holding water; the Commonwealth Environmental Water Holder maybe to underwrite some conveyance water in poor inflow years in recognition of the environmental benefits of productive water; include the Lower Lakes and the Coorong in the Basin Plan; there needs to be some smarter solutions to achieve a result at the bottom end; and dispel the myth that we are overallocated. Our allocation system is designed to only allocate water; after all, critical human needs and existing environmental flows have been accounted for. It is a real pity this process has gone unnoticed by our politicians, MDBA and city cousins. Thank you.

**Mr Lolicato:** I represent Murray Valley Private Diverters. I am also chairman of a number of other groups: the Wakool River Association and, as was mentioned before, I am also on the environmental water advisory group in New South Wales—I am the only landholder out of probably 20 or 30 other agencies and other people on that group. Do you want me to do my little introduction now?

**Senator McKENZIE:** Yes, thank you.

**CHAIR:** Please be brief.

**Mr Lolicato:** I will try to be. The Murray Valley Private Diverters represent the interests of private irrigation bodies and individuals in the Southern Riverina region of New South Wales. The diverters have had extensive involvement in the Murray-Darling Basin Plan throughout prior submissions, consultations and as direct participants in the Edward Wakool Constraints Advisory Group that has been dealing with the constraints management strategy.

The diverters have continued to express concerns about the failure of the Water Act 2007 to balance social, economic and environmental values, much of which has become self-evident in the development of and implementation of the plan.

The MDBA has lost touch with the Australian public and continues to resort to rhetoric and even blatant propaganda in an attempt to convince that the ill-conceived Basin Plan is a good idea and working well. That was just proven recently: a press release came out from the chairman the other day saying what a wonderful a job they

are doing and that they are consulting and doing all the wonderful stuff; however, the people I represent are saying, 'We don't know where this is coming from, because it's not what we're hearing.'

The vast majority of people agree on the need for a long-term plan for the basin but, instead, we have ended up with a plan that is devastating and undermining the very social fabric that holds regional communities together. Ever since the MDBA took over from the MDBC, their independence from political persuasion has all but disappeared. Under the leadership of one of Australia's most influential former politicians, Craig Knowles, a new culture became embedded in the MDBA. The majority of the long-serving, experienced staff members were gradually replaced with carefully selected new members. Craig installed a belief within the MDBA that if you repeated the same thing over and over enough times it would eventually win the argument. He did not appear to realise that what he had achieved with that style of thinking was that he lost the community's trust and confidence in the engagement process and, worse still, the MDBA itself.

I have a bit more to go on with there, but the part that I will go to now is the most recent assessment of the social and economic effects of the implementation of the Basin Plan on the Wakool Shire. The assessment clearly indicates the devastating effects the plan is having on the region's economy and the associated destruction it is causing the community's social fabric. Up until October 2014, the water attached to the shire's ratepayers has been reduced by 50 per cent, which has helped to contribute to a reduction in population of 17 per cent and a loss in primary production employment of 40 per cent. The effect on the Wakool Shire needs to be considered as the canary in the coalmine as other regions begin to measure the negative effects of implementing the plan. Recently, even Murray Irrigation announced that their water entitlements have been reduced by 270,000 megalitres or approximately 30 per cent, which equates to a loss in production of around \$57 million. No doubt you would have heard in the media that the new executive officer came through. He has made it quite public that in nine out of the last 10 years Murray Irrigation has run at a loss. That is just an indication of where the thing is heading.

While there has always been ambiguity and debates surrounding a balanced triple bottom line, the evidence is stark: the environment has primacy over social and economic considerations. This is confirmed by the fact that with the huge amount of taxpayers' dollars being spent on the majority of the valuation and monitoring of the various projects under the Basin Plan, the reporting focuses on the benefits to the environment and the negatives and the benefit-cost ratios are virtually ignored. I have personal experience with that. I am on a number of other groups, including the Edward-Wakool stakeholder group. The Edward Wakool system is one of five key selected groups in the Murray-Darling where \$30 million is being spent on evaluation and monitoring. I will elaborate a bit more on that later. We are right at the forefront of it all. The reports that come out are all about the positives. There is nothing that comes out that says: 'Wait a second. There might be a little bit of a negative effect of poking all that water through that forest.' Anyway, I had better not keep going for too much longer.

I have given you some hand-outs. I am a firm believer that history is a pretty important part of where we have come from and that, if you do not understand history, you do not know where you are going. The other part of this is that I love maps. When I am trying to explain something I always refer to a map. There is an excellent map that I have got there for you for when we start talking about constraints management strategies and how the water is supposed to get through system. I can categorically prove that the Basin Plan cannot succeed with the volumes of water they are talking about at the moment, without creating third-party impacts. We have had this on and on discussion with the MDBA and others, and they are just not listening. We have spent years and years hitting our heads against a brickwall and the message is not getting from the grassroots to Sydney and Canberra, where it needs to go. New South Wales is now just as complicit as the MDBA are.

**Senator McKENZIE:** I am agreeing with you. I am not saying stop.

**Mr Lolicato:** It is very simple. It is a really good map that you can refer to later on, but the one that I have given you is detailed. I want to show you the constraints issue. It is very simple. You do not have to be a rocket scientist to understand it. I went through it before with John, and John understands it. It is not rocket science. You can only get so much water through, without creating third-party impacts. Sorry, David, I will move on.

**CHAIR:** I am just thinking about your comments about John, that even John understands it. It must be simple then!

**Mr Lolicato:** He has seen the maps. Once you see the categoric proof, you can't argue against it.

**CHAIR:** Alright. Mr Bradford.

**Mr Bradford:** I represent 1,600 irrigators within the Meran irrigation area of operation. We are the coalface of water acquisition. The Basin Plan came out of the millennium drought. We were told that it was never going to rain again. The government went shopping when it was hungry. My wife says never do that. Worse than that, they had the kids in the background—the kids were the Greens. So, with that, they came out and they overcommitted.

The magical number was 2,750, and another 450GL on top of that for good measure. There was no science; it was just a figure. The Greens were saying 7,000. We were on the money at 1,500GL. What they did was split the difference and went 3,200. We should have started at zero. That is the way you should negotiate.

There is a safety net within the plan. It is triple bottom line: economic, social and environmental. They are supposed to be treated equally. Clearly the government and the MDBA are not taking notice. In full, on time, on budget is all I hear out of the government. The modelling is not right. The MDBA does not understand. When you take a 27 per cent resource out of Meran irrigation, the area of operation they are looking at reducing is from a maximum of 1500GL down to 600GL. The water acquired by government used to supply and feed into the temporary water market. That water was the underutilised water, so now that water was the first to be acquired by the government and the temporary price at the moment is not sustainable for staple food production.

We see a manipulation with speculators and non-irrigators coming into the water market. There is no transparency of this market and trades. We see that the water is like a washing machine, it goes around and around that bottom part. We see the effect of the water acquisition by the government on irrigators and communities, basic economics are taking out a resource. We are not sustainable going down this path. Meran irrigation has lost \$75 million over the last 10 years. They are a bus provider. If you think of them as a bus service, they provide the bus, the irrigators pay the fare, and if you keep taking people off the bus then the people that are left there—the irrigators—have to pay more and it comes to a stage where that bus is not viable. That is what we are looking at going down this path.

There is a lack of confidence within people, the irrigators are stressed and you cannot plan year in, year out. Farming is a 10-year plan, you have to work out what chemicals to spray, it is a whole farming system. We are flushing the mouth of the Murray with fresh drinking water, that is ridiculous—987GL went over the barrages last year. When you have taken the losses to get that water down there you can double that. The Lower Lakes and barrages should be in the Basin Plan and offer some SDL savings. The two Lower Lakes evaporate more water than Meran irrigation uses in a year. It is absolutely ridiculous. We are subsidising a lifestyle down there for freshwater. No other country in the world would understand and do what we are doing. In the lower south-east drainage, they are putting water around Robe and Millicent out to sea that would have fed into the Coorong. There has to be some ownership from South Australia. All they do is point the finger upstream and say: 'You are the problem.' They have to take some ownership.

With on-farm efficiencies, yes you do get more production per megalitre but you are getting rid of your milking cow. The thing that gives you volume is water. One millimetre of rain or water gives you 20 kilograms of wheat. That is the thing, the base things that gives you volume is water. It is like having 800 cows, you get 250, you give them to the government and you build a rotary dairy. So, yes, each cow will milk quicker because it is in and out of the dairy quicker and you will take less time to do it and it is more efficient, but you have lost the thing that gives you the volume: the milking cow. People do not understand that. We do not get any more production for the community out of on-farm efficiencies. The government say we spend \$2.5 million everyday, and they do on-farm efficiencies. How many Ferraris do you want on your place if you cannot afford the fuel to drive them around? That is what we are looking at. I have 2,500 acres fully land formed, I have done it myself. I utilise 10 per cent every year, and I have Ferraris, I have Holden's, it depends on how much water I have where the water goes to. But at the moment the government thinks: Let's have all Ferraris in the garage. But they do not understand that if you can fund it from the water that you have in your own water portfolio then that is an efficiency, but as soon as you go to water market to buy extra water to fund that efficiency then it is no longer efficient. We are kidding ourselves. We are losing production for the community and when you put a multiplier of seven in on what you produce, we are going backwards.

If I may, I have three more points.

**CHAIR:** Are you finished or are you taking a breathe?

**Mr Bradford:** No, I will take a breath. I am being to the point, I thought. Farmers are treated as political footballs, we are told that we waste water, we are reckless. Many farmers I know are the greenest people I know. You need a farmer three times a day, people do not understand that. People are throwing rocks up from the city but they do not come out here. We are taking a wrecking ball through the communities. Who wants to take a have a pristine environment when no-one is around to enjoy it? It is just ridiculous. The dams were built for irrigation not to hold environmental water. This is a journey we do together. We are very green ourselves. We understand the need for that. We need to pause the plan and stop any acquisition of productive water and use the water we have, keep on going with the STY projects and just start listening to the people in this area. Thank you.

**CHAIR:** Mr Bradford, if I could talk to you as an irrigator.

**Mr Bradford:** Yes.

**CHAIR:** Has trade in water been beneficial to you and the irrigation industry?

**Mr Bradford:** It has been. The problem has been that there was a lot of lazy water that was out there with older people who did not want to farm and that water used to go to the more efficient users. When the government came along and started buying that productive water, they said they were willing sellers but some people had to sell because they were broke. They have to go, we do not want them there if they are not efficient. But some people were forced. Previously, three or four years ago, temporary water was at \$60 and people were saying: 'Sell all your permanent water and buy it on the temporary water market.' The modelling of the MDBA would not have the high price of water here at the moment. We have seen the chairman come out and say that the Basin Plan has had no effect on price of temporary water—that is ridiculous. When you take a resource out and you have more people competing for a smaller buck, it is ridiculous. The MDBA is true in that they have no effect on allocations that flow into the dams, in-flows. The problem is that there has been a benefit to get that lazy water to more productive farms but the problem is that you have had a third party with deep pockets come in and acquire that water and manipulate the market, and all they have done is raise it at an exponential level.

**CHAIR:** I want to explore that with you for a minute or two and look at this water trading situation. We asked a previous witness, as I am sure you heard, what his thoughts were on how that water market trading could operate better and more effectively. First of all, what do you think could be done to make that water market operate as a market more effectively? We are not talking about winding back the clock, we are not talking about attaching water rights back to land again. I think this committee is brilliant but it is not a miracle worker. I think we have to accept that detachment has occurred, right or wrong. What could be done to the water trading market, the market in which you and other irrigators buy your water, to make it work effectively to the benefit of agriculture?

**Mr Bradford:** One suggestion could be that you tag that water and that it can only be traded two or three times. Each time it gets traded it gets a dot. Some of that water comes out looking like measles because it gets bought back and forth. You have people in Melbourne who have the ability to get an account with Meran irrigation and trade water and speculate. Anyone can have an account.

**CHAIR:** What if there was the equivalent of a stock exchange for water?

**Mr Bradford:** There is, Meran irrigation has that at the moment, and you see the sales back and forth. Anyone has the right to be a water trader. We wanted to separate water from land, we have done that. Probably one of the worst days that has happened. We wanted that, it is happened and we have to live with it. But the problem is you have people there with deep pockets that come in and manipulate. I do not know whether this is true or not, maybe a superannuation company will come in, they have deep pockets and they will buy a big parcel of water and they sell it and buy it back. If they have big enough volume they can manipulate the markets. So if we can tag it, the ACCC would not like it, but maybe that is what we need to look at.

**CHAIR:** The stock exchange has people with deep pockets operating on it as well but nobody complains that it is manipulated, so what is the difference?

**Mr Bradford:** Well you have families, you are wrecking families. The thing is we have come from community farming, the issues that we see—

**CHAIR:** Families are involved in the companies traded on the stock exchange too, so where is the logic?

**Mr Bradford:** We are individual landholders. We are not corporate farmers, we never have been. We are getting to the stage that we are getting bigger. The understanding that you are saying, is that it is a true market—

**CHAIR:** Let's move on. If the Meran irrigation area water trading system is to be improved should there be just a single equivalent of that, a single stock exchange of water for trading? Should it be limited to valleys so you cannot trade water between valleys or between catchment areas or whatever? How could you make it work for the benefit of irrigators and agriculture?

**Mr Bradford:** With due respect, the issue we are talking about is the lack of volume. That is the first thing. If we had more volume, the discussion we would be having now would not be as relevant. At the moment we have the apex of a triangle with the high-value crops at the apex, we have taken the lower level of the pyramid away. If we could get more water back into the system, we would be competing for a big bucket of water and the issues that we are talking about now would not be as relevant.

**CHAIR:** Mr Bradford, Mr Brady from Kagome conceded that, if there were more water available, he would buy more water because they would grow more.

**Mr Bradford:** That is correct.

**CHAIR:** If water were more freely available, the price would fall; then more people would buy it and the price would rise again. That is what happens with markets. So it is not just a matter of enough water. How do you have an efficient market that allows people like you and other irrigators to buy and sell potentially market water so that it operates something like the stock exchange? How could you do that?

**Mr Bradford:** You would look at who is open and have each trade transparent, saying who is buying in and who is buying out—that would be one way of doing it.

**Senator McKENZIE:** And that does not happen at the moment?

**Mr Bradford:** No, there is no transparency at all. But Kagome only buys so much water. He can only go up to 30 per cent. So, once he has fulfilled that figure, the price will come down again.

**CHAIR:** There are more Kagomes out there, though.

**Mr Bradford:** Yes, but in the past we have seen—Mr Lolicato may want to speak.

**Mr Lolicato:** Just to add to that, I think the key point here is that we now have what I call a punters' market. You have free trade and all the rest, which is great, but, with the separation of land and water, which is just a reality of the world now, the simple fact is that you now have a punters' market which is made up of retirees. I have farms all around me where farmers have sold their land; they have taken the water to town and got something better than the stock exchange, because they just play with that water as it suits them—and good luck to them. Superannuation companies have got involved. We have seen the failure of MIS schemes. When they collapsed, multinationals came in and bought them out and they ended up with huge parcels of water. That is were part of our problem is. You have a market out there that is now a punters' market, and that punters' market is putting an extra layer of cost on production. If they are the only people who buy the water, where is it going to be used? The environment already has enough—well, it is still going to get enough if it keeps going to where they are going—

**CHAIR:** They are not buying temporary water; they are buying permanent water.

**Mr Lolicato:** That is right. As you reduce that productive pool, which is what John was talking about, we had sleepers and dozers and all the rest, and it actually went around the productive sector. The bottom line now is that, with carryover rules and other things that somebody else touched on before, a lot of that water is now being used by punters to try to force the price up. Who pays the cost? It is our local communities. We do not get any extra return. For paying extra for that water, you do not get any higher return. I will give you an example of my situation. I am a passionate rice grower. Growing rice is part of my farming system. Even if I do not make a heap of money out of it—it is nice to make money—it is part of the farming system. This year I just about tore myself to pieces trying to decide which way I was going to go. At the end of the day, I did not have enough water to grow that rice. I carry over a heap of water, but I did not have enough, by the time I got to rice sowing, to sow the crops. So I would have had to go to the market. And, no matter which way I twisted the figures, there was no way known I could grow that crop. The multiplier effect that John spoke about has all gone—all the fertilisers, all the employees that you do stuff with. Now, with the bit of water I have got, I am in turmoil trying to decide what I am going to do with it—I will be pre-watering in later on. The problem is that it has added an extra layer of cost. You are wondering about how we can change that.

Part of the problem is that we need to get a mechanism. I know we are not going to go back to attaching water back to land, but you need to be able to get a mechanism where, if you are going to use water, it has to be used for productive use. This speculation thing—whether it is tagging, as John was saying—is one way. The other thing, of course, is to deal with what has come up a dozen times today—and I think you will hear it another dozen times—and that is the water that has been pulled out of production. What is there? Over 4,000 GLs sitting in environmental buckets all around the country. I can give you examples. Come out our way at the moment. We have water whistling down creeks that have not had water in them for years, and then two or three years in a row we have ended up with water on top of water. It is overdoing things. It is a matter of releasing trade, allowing the two to be more flexible in what they do with it. This ridiculous notion that any water that they trade has to go back into buying more water—that has to stop. That is just as ridiculous as the Basin Plan is.

**Senator DAY:** What impact does the almost 2,000 gigalitres that has to go over the border into South Australia, regardless—

**Mr Lolicato:** That is how ludicrous—

**Senator DAY:** There cannot have been any economic consideration—forget what they do with it, even if they just channel it all out to sea, 2,000 gigalitres, almost, has to go across the border. What impact does that have on—

**Mr Lolicato:** That is why, mark my words, the Basin Plan cannot succeed the way it is. To start with, the foundation stone of it is flawed. When you have a flawed foundation, you can never get a proper outcome. That is why for years we have been hammering home the facts about it—you cannot get that volume of water down there because you have only a little channel to get it through. The political pressure that has been put on to get this thing over the line is just clouding the issue—whether it is SDLs or all these other things that are coming out at the moment. The whole thing is about end-of-system flows. The overall intent of the Basin Plan ended up being a political one, just because of the way it was structured under the Water Act.

The second part of it was that end-of-system flows were the most important goal to be achieved. There was a Senate inquiry back in 2002, I think, that looked at what measures could be put in place to save water. Of the 24 different options put forward, one of them was flows. Instead of the Basin Plan, everything is about flows. It is all about getting water down the bottom end. Okay, we are going to water at Chowilla and Hattah Lakes and a few other bits and pieces on the way down there, but 2,000 gegalitres will go out to sea. On the actual salinity targets of Lake Alexandrina—maintaining above 1,000 EC for 95 per cent of the time, when you have an estuary—maintaining that by fresh water is just sheer lunacy.

That is why people are losing confidence and trust and why motions have been moved left, right and centre—the MDBA has completely lost their way. They are not listening at the public meetings they go to. They come down here and tick a box and say that they have consulted. I think Louise touched on it before—it is the number of meetings you have that says they are consulting.

**CHAIR:** In defence of the MDBA, their role is to implement the Water Act, in which the plan is incorporated. They are not responsible for the legislation or for the plan, in fact. We need to be reasonably fair here.

**Senator DAY:** Mr May, you said the plan is being rolled out too fast. In your view, what would be a more reasonable time frame for rolling out this plan?

**Mr May:** We would probably get back to our basic point of what we want. We really want to pause the plan. The Commonwealth Environmental Water Holder has quite enough water now to make a fair go of seeing what environmental benefits it can get. That is what we mean. Everything fell into place in this whole plan scenario. We came out of the worst drought, we had people under pressure financially, and the government was throwing a lot of money around for water, as a buy-back or through on-farm efficiency. So it all fell into place. If you wanted to replicate something like this you would never do it again. Everything happened really quickly. People could see that there was money out there that was above the odds, above the productive use, so they were jumping onto it far quicker than would otherwise have been the case.

**Senator DAY:** You used the phrase 'pause the plan'. The buy-backs have already been capped, as you know. Do you mean stopping any more buy-backs?

**Mr May:** At the moment the buy-backs have been capped at the 1,500, but the reality is there are still around 200 to 250 still to come. We are fearful in our area because at this stage our enterprise mix is at the lower end, so we are the most vulnerable. If we were to take another 100,000 to 150,000 out of our local area it would just be devastating. As far as I can see, although it sounds fantastic, to get to that 1,500 cap I could see our area being hit pretty hard.

**Senator DAY:** Mr Bradford?

**Mr Bradford:** In relation to pausing the plan, we have enough water to start environmental watering. It is not as if we have not got any water. We are three-quarters of the way through the Basin Plan. What we are saying is that they can still do the SDL projects but leave the productive water in the hands of irrigators and make sure that is the last water to go, because that just decimates communities. We are saying that if you have to get more, then get more, but just take a breath and see what you have got and do to acquire any more productive water at the moment until you actually utilise it and benchmark where we are up to in environmental watering.

**Senator DAY:** Mr May, you mentioned that locals at Lake Alexandrina would like to have seen sea water coming back into the lake when the drought was on. Was that when the level was below sea level or when the acid sulfate—

**Mr May:** That is correct. We always believed that if you are going to save something you have to go and see it first hand, so a few of us went down and had a look. We did a bit of a survey around Goolwa and the local businesses there and they said they never wanted to see this happen again. The acid sulfate soils and having a dry lake bed was not their preference.

**Senator DAY:** Given that the river bed is below sea level roughly all the way up to Blanchetown, which is for about 100 kilometres, are they advocating another lock below Lock 1 at Blanchetown? What was stopping the sea water from going all the way up the river?

**Mr May:** There was talk of putting a Lock 0 in so that they would not be able to let sea water in, but then it rained. The point we would like to make is that there are options that can be looked at down there. Coming from a rice-growing background, to try to correct the salinity in Lake Albert by sticking as much water as you can in the top and then expecting the water to come out the top, is never going to solve any problems. You could save so much water by having, say, an outlet out of the bottom of Lake Albert and circulating the water. That is how you are going to fix salinity. What we cannot understand is that there are a lot of people out there who are far smarter than us but are not receptive to these ideas.

So we have to make the points: one, to include them in the Basin Plan, and, two, make sure that you do things as efficiently as you can. We have had massive infrastructure works put in up the river, at Koondrook-Perricoota, for example, at a vast cost. Those are the sorts of things that should be looked at down there.

**Senator McKENZIE:** In the Murrumbidgee, can you explain to the committee how the government getting involved in the water purchase—I think Senator Wong might have been the minister at the time, when we are talking about a lot of money flowing in—where the character of water was changed? I am talking about overland flow water being changed in terms of its character. I think that is an important principle for this committee to understand.

**Mr Lolicato:** I am tied up with rivers, but mainly on the Murray, so I am not across all of it, especially as far as the Murrumbidgee. But the Nimmie-Caira, which you were talking about earlier, is a project that was negotiated at the time by Senator Wong. I think around about 300,000 megalitres of water was involved in the deal that was thrown at these blokes. They thought all their Christmases had come at once—

**Senator McKENZIE:** Absolutely.

**Mr Lolicato:** It was overland water that they got whenever the system had natural flows and overflowed. They had access to 300,000 megalitres of that overland water. When the government bought it they actually converted it back, I think, to 173,000 megalitres. It now is called the Lower Murrumbidgee water entitlement. I am not sure whether that is exactly the same as general security, but it is an entitlement that actually lifted the level of security a lot more than what it was when it was floodwater. So the 11 farmers down there did exceptionally well. There is a very similar thing happening on the Darling at the moment. We have people down at the bottom end we have a bit to do with, just above the Murray. They are high security water users, they have permanent plantings in, and after seeing what is going on and because of what is happening on the Darling they have put themselves up for the same sort of thing—they are talking about wanting to go out of high security farming. I think they have put a deal to the government. It is a bit of a different situation but at the same time their reliability has reduced enormously, and with millennium droughts and a few other droughts thrown in between their businesses have been made unviable.

From the area I come from, the Wakool shire, we have been impacted because Yanga was our biggest ratepayer and as soon as it turns into a national park, lo and behold what happens? They do not pay rates—\$50,000 of rates, out the door like that. Our own ratepayers have had to pick up that tab. The same thing has happened with other places. We overlap it a little bit, but the rate base starts to move. The crazy part about it is that our forefathers went to an awful lot of trouble to try to get people to move inland, to inhabit the inland. And what are we doing? We are decimating it, trying to encourage all our people to move back to the cities and other areas. Hopefully that answers your question.

**Senator McKENZIE:** Yes it does. We have heard a lot about the consultation process, and I love the tick-and-flick example that you gave. When we are looking at productive capacity and the sustainability of communities long term, it needs to have a lot more integrity for the consultation process to be genuine. I think it was Ms Burge earlier today who talked about a lack of consultation, and that the local Indigenous community is consulted along with a group of agencies but landholders are very rarely represented on those consultation bodies. Can any of you gentlemen give us examples of either state consultation mechanisms or federal consultation mechanisms where landholders were not part of that formal process?

**Mr Bradford:** We had something given to the Senate through Senator Madigan. On 18 September two years ago we had the MDBA come and have a consultation meeting in Deniliquin. My executive officer took 2½ pages of notes, and you would not think the MDBA was at the same meeting. They took 10 points off the same document. Senator Madigan tabled that in the Senate, and he asked how in the hell can you think these people were at the same meeting. That is our problem—they come and they talk at us, they do not listen to us, and they take away a completely different meaning from the whole meeting. They walk away and say everything is fine. There is a level of frustration here. They are marking their own homework; they cannot see a problem. They report back to the politicians and say everything is fine down there, yet we have 1,000 showing up to the Barmah meeting just to show their distrust of the MDBA.



**Senator McKENZIE:** When you say reporting to the politicians, they have been reporting to the environment minister, and they are now going to be reporting to the agriculture minister.

**Mr Bradford:** That is right. There are four levels now—you have Anne Ruston, you have Barnaby, you have Hunt and you have Briggs now. We have made it more complex to deal with water. The dams were built for agriculture; they should be in the hands of agriculture. I am very happy that Turnbull put them back there. But this is his Basin Plan and it has probably been bastardised so many times to get to where we are now. Irrigators and agricultural farmers need respect. The way the Labor Party used Barnaby getting the water back as a political football was an absolute disgrace for irrigators. We are people, we are not objects.

**Senator McKENZIE:** Absolutely. And what about state governments? We have the constraints strategies and a whole lot of underlying plans and strategies that are having to be developed with the New South Wales and Victorian governments.

**Mr Lolicato:** I would like to answer that one. It is a burning issue at the moment. I am on a few different groups—I am part of the old school and I thought that with being involved in community consultation and engagement you can make a difference to what happens in the future. Up until this Senate inquiry came along I was ready to walk away. After 35 years of being on all the groups I am on I was ready to walk away because I think the message is just not getting through. This has given us a little bit of hope that we can finally find some politicians that are prepared to listen to what is happening and what is going on. The stuff that is happening is sheer lunacy. It is logic, it is common sense, it is practicality and it makes people so frustrated

Dave, myself and John are looking at succession planning, to bring up younger people. Nobody is interested. They see what it has done to us and they say, 'You're not making any difference. You've got Basin Plans and all of this other stuff that's happening, but you're not kicking any goals.' That is what we have got to get back to.

On that question about the state government, with New South Wales in particular, especially for us down here, on the New South Wales Murray, we are so far from Sydney and we have got the complication of the three states and all these other issues that are directly specific to how they are going to run the Murray. We have got new people in New South Wales at the moment, at all the agencies there, and, nothing against individuals, but a lot of them do not understand the issues. We have got a new deputy director-general, who got the job back in January. We have been pleading with them—we have been on our hands and knees—to come down and talk to us about some issues with it, like constraints.

Louise and I have both been on this constraints management strategy. There are other people in this room on the Goulburn. There are other people on the Murrumbidgee. It does not matter which river you are on; this plan cannot proceed. It does not matter whether it is us on the Murray—and the area that I represent, between the Murray and Edward-Wakool-Niemur, is probably more impacted than anyone is because we get hit both ways, from production and also flooding. The point is: we cannot get the New South Wales—actually, as of two days ago, we got confirmation that we have got him coming down in a couple of weeks time, but that process has been—

**Senator McKENZIE:** That is 10 months. Sorry; I did not mean to interrupt.

**Mr Lolicato:** This is the crazy part about it. On the constraints strategy, one minute we are told that the MDBA is dealing with the Murray section, so we talk to them. We have spent two years, 55 meetings, mountains of submissions, mountains of phone calls, and, at the end of the day, we got to the stage where they actually presented a report to the ministers, back at the end of 2014. That report was supposed to be a compilation of the seven reach reports and was supposed to say, 'This is where we are up to.' Our report had not even been finished at that stage—for the Yarrowonga to Wakool Junction section. The report came out. It took a while for us to get our hands on it. Eventually we got our hands on it and, in that report, it actually went through and told the ministers: 'Yes, the communities will accept inundation levels at such and such'—Louise touched on it before. Anything over 20,000 megalitres downstream of Yarrowonga will have an impact. The inundation levels that they were playing with were from 20,000 megalitres right through to 77. They took 77 off the table, but they are still saying that the community was prepared to accept 65. We actually said: 'We're wasting our time here after all this time. We want New South Wales to take over the constraints part of the New South Wales section.' We thought that might have happened. We found out that there were some consultants doing work out on the flood plain that we did not know about. I rang New South Wales. New South Wales said, 'No, they're not our people.' I rang MDBA: 'No, they're not our people.' There is an awful lot of duck-shoving going on.

**Senator McKENZIE:** Yes. We are hearing this.

**Mr Lolicato:** It does not matter whether it is constraints. There is another one that is going on at the moment—the PPS, prerequisite policy measures, which is tied in with SDLs. That is exactly the same. We only

found out two weeks ago. We thought New South Wales was putting forward these prerequisite policy measures that relate to SDLs. We have just found out: 'Oh no; that's not us. We've handed that over to the MDBA.' The MDBA will not talk to us. The state will not talk to us. So, as a representative, I am not doing my job. I am letting down the people that I represent. For us blokes in particular, that starts to get to you a bit after a while, because you are not doing what you are there for.

**Senator McKENZIE:** It is incredibly frustrating. I will cede for a minute.

**Senator MADIGAN:** Mr Pike and Mr Condely, in relation to your submission for the Lake Meran Diversion Licence Holders Group, you have said:

Prior to drying in 2003 salinity in Lake Meran reached levels upward of 15000EC. In the event of a flood, either natural or artificial, the risk of flushing high salinity water into adjacent lakes must be recognised.

In your group's negotiations, engagement, with the authorities, what has been your assessment and their taking on board of your concerns?

**Mr Pike:** We have had four years since the flood filled the lake. The licences on the lake have been in existence for over 100 years and have mostly been supplied by overland floods and by informal supplement by GMW staff to maintain the lake. Through all of that time the pumping of the water has kept the salinity of the lake at a very good, low level. The high salinity you are referring to was immediately prior to the drying out when there was very, very little water left in it, which was immediately after we bought the farm we are now on. When the floods came through the salinity went down according to the volume of water that came in. Historically, the pumping has removed water at a higher salinity onto the irrigation and has allowed the inflow of water of a lower salinity, which has kept the balance within the lake that has maintained natural vegetation around the lake at a much healthier level than any comparable lake in the area. We believe the salinity control accomplished by the extraction with the diverting licences is giving us a healthy lake.

**Senator DAY:** How deep is the lake, and how much water does it hold?

**Mr Pike:** It is about seven metres and holds 7,000 megalitres.

**Senator MADIGAN:** What you are asserting in your submission is that the diversion licence holders on Lake Meran have contributed to better environmental outcomes, that the positive effect of the licence holders on Lake Meran has not been acknowledged and that the way they are now proposing to manage Lake Meran, for instance, is actually going to have a negative impact on the environment. Is that correct?

**Mr Condely:** That is right. There is a chart here that shows that for years, with the pumping, the salinity maintained a certain level, and that when pumping was stopped it went up. That pumping regime could have gone for 100 years. With lakes like Lake Boort, for argument's sake, they have water in there at a certain level and they keep putting it in there; and periodically they flush out a certain amount of that water to keep the lake low in salinity. We have had the authorities try to set a trigger level or set a restriction on the pumping in that lake. Environmental water can go into the lake, and has gone into the lake. We have had restrictions put on, or attempted to be put on, and we have rejected them. The effect of a trigger level is that, say it is 7,000 megalitres and they put a trigger level on it when it holds 3,200—this is one they attempted to impose—and they were prepared to let that water evaporate down to about 1,200 megalitres. In other words, nearly 2,000 evaporated during that time. If a level where the trigger level is put on salinity was, for argument's sake, 2,000 ECs, then by the time 2,000 megalitres have been evaporated, what would be left in the bottom would be at least double that, or more than double, you would think. What pumping does is keep the salinity at a balance, if you can follow me.

**Senator MADIGAN:** You just mentioned the trigger level here, and in your submission. You say here that you have evidence that GMW have meddled with this trigger level and how it is applied. Could you just explain it to us a bit? You have said that they have done it in breach of the Victorian Water Act. Could you elaborate to the committee what you are asserting there?

**Mr Condely:** To set a trigger level on surface water, a certain process has to be gone through according to the Victorian Water Act.

**Senator MADIGAN:** This is the rules pertaining to a trigger?

**Mr Condely:** Yes. By the Water Act, they have to go through a certain process to set a trigger level on surface water. Now, that process has not been followed. Just by the way, this is in a letter to Edwin Kennon, a water expert lawyer, from Gavin Hanlon in 2014:

'I note your question to the minister seeking a response on the statement as to why he is not proceeding to prepare a water management plan under the Water Act, and I state this is an assertion on your part and not GMW's view of future possibilities in relation to Lake Merran. It is likely that GMW may, at a point in the future, move

through a process of preparing a water management plan under the Water Act. However, this is not our priority at the moment.'

So they have never gone through that process, and they still have not. That is one thing about sitting a trigger level.

For a number of years we were told there was a document put out called the Northern Region Sustainable Water Strategy. We were told that under action 4.6 of the Northern Region Sustainable Water Strategy they could apply a trigger level to us. Now, that went on for a number of years. We had a meeting with Peter Walsh, the Minister for Water. Understand that this was three years after they had been elected, and he said when they came into government the Northern Region Sustainable Water Strategy document was scrapped. So we had just been led on about that. So that was not legally applied either. Incidentally, Edwin Kennon said that that trigger level could not be applied under that action 4.6 of that particular strategy, but the document had been scrapped anyhow, so that did not apply.

There were also local management rules. This is still on the website, and they used a level of 1.7 metres of evaporation above the lowest pump setting, but they never said whose the lowest pump was. They used 1.7 metres of evaporation as the trigger level, and 1.7 metres is not the average annual evaporation in the Kerang district. Plus, in the Price Merrett report it says:

'It appears that the GMW trigger is set at a level above an elevation at which there is an unacceptable risk to the environment—77.15. This assumption is that the trigger level is one year's evaporative loss from the lake. This is based on the comment not to allow irrigation in a year that levels are likely to fall to 77.15. The 1,700 millimetre per year evaporative loss exceeds the annual class A pan evaporation at Kerang, does not take into account pan factors to convert to evapotranspiration from a free water surface and does not allow for average rainfall. I refer you to the Bureau of Meteorology website, which provides a map showing area of potential evapotranspiration. This represents the evapotranspiration which would occur over a very large wetland or large irrigated area with a never-ending water inflow. The map indicates an ETO for the Kerang region of 1,100 millimetres to 1,200 millimetres per year.'

That is a long way short of Goulburn-Murray Water's claim that it is 1,700 millimetres. In the stuff that you have got there there is a map from the Bureau of Meteorology website which clearly shows that Kerang is between 1,100 and 1,200 millimetres. So they have used false data to attempt to apply that trigger level. Plus, as I said before, a trigger level just promotes salt. They claim it is to protect environmental water, but really what they are doing is just promoting salt when they put a trigger level on.

**Senator MADIGAN:** In effect, they are making the environment worse.

**Mr Condely:** They are. Yes. That is right, and that has not been acknowledged by any of the government departments that we have met.

**Senator MADIGAN:** Thank you. Mr Bradford, in your earlier verbal submission you were speaking about the effect on families, the effect on communities, the effect on small businesses, the multiplier effect, the flow-on effects et cetera. Are you able to give the committee a personal example of how the uncertainty of the removal of productive water from the Basin—specifically in your area of the basin—has affected your family's personal decision-making in recent years, for instance, in the purchasing of new and more state-of-the-art equipment to increase productivity et cetera?

**Mr Bradford:** For three years I have been trying to buy a header from Meredith Pascoe. I go in every year. I have a worn-out header; it is seven years old. I am losing productivity because I am always fixing it. I walk in to her and I say, 'I'll buy this header if I get an allocation,' and I have no idea whether I will get that or not. The availability of the temporary water market to add to my water portfolio would allow me to grow the volume to purchase that header, but I cannot do it. Four or five years ago, I could have bought the water on a temporary water market and provided enough area to justify buying the header. Every time I walk in there, I kick the tyres and say, 'I love this header. I want to buy it,' but I cannot. She sits there, she has to organise the trade in, we do pricing and of course we do not get an allocation or the volume is not there. We have to realise that water goes to the high-value crops. That is fine. We saw it with grapes. It goes there, but that water migrates and all the people leave the area it has gone from. You lose schoolchildren; you lose teachers. Because the kids are not there, there is no netball team. My girls cannot play netball every second or third week because there are no girls around to play with them. Because kids are not at school, fewer subjects are offered, so kids have to go away to boarding school all you have to source from somewhere else. There are all these flow-on effects. It is hard to organise a business. I am losing productivity and pulling my hair out fixing an old header. If we use the environmental water

to underpin an early allocation, I could start a summer program early and justify purchasing. So the flow-on effect would go through the community.

**CHAIR:** I might pursue that a bit further so that I fully understand it. If I understand you correctly, you cannot justify the water or cannot get it?

**Mr Bradford:** I cannot get the water. Four years ago, water was trading at \$65. I had all these Ferraris; I could have bought that water and got the volume—the scale—to justify the new header. At the moment, because we cannot get water and it has gone to the high-value crops—and the crops I grow are—

**CHAIR:** So water is available, but the price is prohibitive?

**Mr Bradford:** The water is available, but the volume has been reduced. It is the apex. It is going to the high-value crops. The lower value crops where it used to be—because there was a bigger bucket—drop off.

**CHAIR:** By going to the high-value crops, that is in fact the intention of the plan?

**Mr Bradford:** It would be the intention of the plan, but was it to drop off the lower value crops? That is the question you have to ask. That is the thing: you had the volume there and that volume is gone.

**CHAIR:** I am playing devil's advocate here: if the high-value crops are grapes and they are buying the water—and I acknowledge there is a reduction in supply, so we are not going there for the moment—at a price which you cannot justify for growing rice, which I think you grow—

**Mr Bradford:** Yes, rice and wheat.

**CHAIR:** The obvious question is: why don't you grow grapes so that you can justify paying for the water?

**Mr Bradford:** It is a glut. You cannot have a glut. There are niche markets and you can only have so much volume in that niche market. As soon as you get too much, it floods. If you are buying water for grapes, you will be going broke. Five years ago they were flavour of the month, but they are gone.

**CHAIR:** This is a fundamental question, though. This is a key objective of the plan. So what we are talking about here is what the plan is designed to do, amongst other things—leaving aside the environmental watering. The plan is intended to divert water, via water trading, to those who value it the highest.

**Mr Bradford:** That is correct.

**CHAIR:** I am not entirely sure what you are arguing—that you do not like that idea? I am not defending it. To all the people who are laughing, I am a farmer myself and farmer's son, so get over it. What I am trying to understand is what you are arguing. Are you saying you should be able to grow rice, irrespective of what else is going on around you? Are you arguing against it going to the highest value? What are you arguing?

**Mr Bradford:** Rice is an opportunity crop. You grow it when the water is there. We had a 61 per cent allocation last year. Some people grew rice; some did not. It depends on your carryover. There are consequences of taking that volume out. This is a side-effect. I don't think the government wanted to stop the production of rice, cereal or cattle. I use water on all three of those products.

The thing we want to say is that taking so much water out has affected the temporary water market. They do not understand that when you take 27 per cent of the volume out it is going to push the price up. We have all these motivations. We have on-farm efficiencies, so we are buying more Ferraris and putting them in the paddocks, so you have more people trying to buy fuel to run them. We are competing against ourselves, and that is the problem. These are consequences of losing that lower volume water, which is more productive. It has gone to the government. So we are competing for a smaller bucket of water. We are all motivated and we are competing against each other.

**Senator DAY:** I am not a farmer. What are all these Ferraris you have in the paddock?

**Mr Bradford:** It is like having a spray irrigator. My next-door neighbour has a spray irrigator. He is actually in this room. He was told, 'Go and do on-farm efficiencies.' He gave up his water. He has a magnificent set-up—Rolls-Royce. He has a spray irrigator and can grow whatever he wants. He sets it up and it waters over 600 metres. He cannot afford the water to put through it.

**Senator DAY:** He has a Rolls-Royce and a Ferrari?

**Mr Bradford:** He has a Rolls-Royce and cannot afford the fuel to drive around. It is just sitting in the paddock collecting dust.

**Senator McKENZIE:** Senator, not an actual Ferrari.

**Mr Bradford:** Metaphorically—sorry.

**Senator DAY:** I see!

**Senator McKENZIE:** It is not an actual Rolls-Royce but irrigation equipment and infrastructure on farm that means they are going to be really, really efficient irrigators.

**Senator DAY:** I would have become a farmer, with all these Ferraris!

**Senator McKENZIE:** No, they have really top-notch irrigation infrastructure on farm.

**Senator DAY:** I see.

**CHAIR:** He means gold-plated equipment. I have one final question on this. Quite a lot of agricultural land has been taken out of irrigated production because of the loss of water, the selling of water rights and so forth. If all of those people or properties got their water rights back and demand for water went up, wouldn't that still leave you with the issue of the price of the water?

**Mr May:** I think the point we are missing here is that just because the allocation is an entitlement does not mean you get it every year.

**Senator McKENZIE:** That is right.

**CHAIR:** I am aware of that.

**Mr May:** The point I would like to make about your previous question to John was that there would be some years where rice might not be an option because there will be low inflows, like we had this year. But we want to make sure that we still have that infrastructure and that ability to use the water when it returns. If next year we get a 100 per cent allocation, rice will be a big player out there.

**CHAIR:** The issue I am struggling with is exactly what you are seeing as the problem. If the plan's intention is for the water to go where it is most valued, I am struggling to understand what Mr Bradford is saying here. I perfectly understand the argument about the Swiss cheese effect, less agricultural production and the effect on other people. I understand all of that, but I still do not understand what point you are trying to make about the objective of the plan, or one of them, which is for water to go where it is most valued.

**Senator McKENZIE:** But I do not think these systems are set up to be annual systems. It is similar to what Mr Brady was saying. They have a 10-year crop rotation, so it is not an annual decision.

**CHAIR:** It is over three or four years.

**Mr Lolicato:** That is exactly the point. I will just read out this little bit here. Our forefathers were not stupid. They were aware of the variable nature of our rivers in the driest inhabited continent on earth. The variability of our rivers goes from 50 to one; European rivers are two to one. For example, in the 1956 flood 120,000 gigalitres came through the system. In the next driest period we had, in 2006, I think it was somewhere around 6,000 megalitres. So the bottom line is we have a hugely variable system. The simple fact is we cannot all go chasing rainbows. If you are going to set up a farming enterprise to grow cotton—everyone is talking about cotton at the moment, and that is wonderful—you have to completely rearrange your whole farming set-up. The bottom line with rice in particular, which is what I grow, is that the water follows an allocation system, which is the New South Wales allocation system. If there is no water in the dam, I do not get it.

**CHAIR:** I know that.

**Mr Lolicato:** That is why the variability of the whole system has to be taken into account. This whole idea of chasing rainbows—

**CHAIR:** We have not got any further with my question.

**Mr Lolicato:** You are not listening.

**Senator MADIGAN:** Mr May, Mr Lolicato and Mr Bradford, I would like some clarity, and correct me if I am wrong at any point. The Murray-Darling Basin Plan was brought in by the 2007 Water Act. We would all admit that is the enabling act of parliament for the so-called plan. We hear that there was \$2½ million spent on Ferrari infrastructure. I have visited quite a few properties up through Barham, up to Deniliquin and here in Victoria, where I have seen enormous amounts of money spent on state-of-the-art, cutting-edge infrastructure. The point that I think you are making—correct me if I am wrong—is there is no point having the world's best bloody infrastructure, if, when we have enough water available, we do not use it in that infrastructure. Is that right?

**Mr Bradford:** Earlier this year, the Hume Dam was at 44 per cent and Dartmouth was at 68 per cent. A lot of that was carryover environmental water. We had magnificent crops; we have had the best year in 40 years. If we could have had some access negotiated and had a bit of ability to trade with the environmental water holder, we could have borrowed that water, watered the crop, made a lot of money for the community with what would have

flowed through, and then paid it back later. But our hands are tied, and they do not understand that. You are on the money: 100 per cent right.

**Senator MADIGAN:** For instance, we could look five years into the future from today. If, as is said in the public arena, we are going to deliver the plan on budget and on time, and if people—bureaucracy and government—are not prepared to step back and assess where the plan is at, what information is available to the public? What benefits have been derived for the environment? How well has the water been used? What are the empirical outcomes that can be measured? What is your vision, gentlemen, of where we are going to be in five years if we do not step back and ask those questions?

**Mr Bradford:** We are going to have a ghost town. We have lived through the drought; people cannot do it again. It was demoralising. If they do not get it, we will have nothing left. What do you think, John?

**Mr Lolicato:** I will use myself as an example. I touched on rice before. My job is growing food and fibre. I love doing it; I get a real kick out of it. In a year like this year, I will probably have to temporarily sell a portion of my water. I have never sold any water before and this year I will have to. It is turning me into a punter. My years are numbered regarding how much longer I am going to be there. I can sell all the water I have and I can do really well, but what am I leaving for the future generation? We are selling the bloody family jewels, whether it is my family or the next generation that comes through. The ability to earn a living out of our land, living in outback areas, is all about the amount of water that is attached to that land. The biggest mistake we made was separation of land and water, but I will not even go into that one.

I was touching on the variability of our rivers before. I have given you photos of these rivers to show you that, with the records that we have had, if we did not have dams up in the hills, the Murray River would have run dry at least eight times up to the millennium drought, not counting the millennium drought. Those photos were taken in comparable spots. They show the 2002 drought—which was not the worst; the 2006 drought was worse—and the river was running 2,000 to 3,000 megalitres a day. None of that is reflected in any of the Basin Plan. The Basin Plan does not give any credit to what irrigated agriculture does to the biodiversity created by farming, by having irrigation on our farms. I had a guy telling me before that he had beautiful wetland down the back; his drainage water used to go into it. Now that has all dried up, all the trees are dying and we have snotty-nosed university students coming out and saying, 'We need to put water here; we need to put water there.' We have one spot where they are putting water on a depression in box tree country. That is trying to turn something into what it really is not. It is something that these people believe that they would like it to be.

The Hattah Lakes are a classic example. Have a look at the infrastructure at the Hattah Lakes. The amount of water that is being poured into that place—what it is doing is turning a black box-lignum community into something that it is not: a red gum community. And that is what is happening with the Koondrook-Perricoota. We have not got enough time to go into it, but that started off as a watering project; \$50 million was set aside for it; now it has ended up blowing out to over \$100 million and they are talking about using 400,000 megs in it to have a watering event, and the problem with that is that they cannot use it. Roger touched on it before. They were going to put water through it this year, and all because they will not talk to the community. That whole thing got held up. They were going to put 30,000 megs through it. It got cancelled, because they have not been listening to the community and the issues that have revolved around it. You put that volume of water there, put a flood on top of it, and the people downstream will end up in South Australia.

**CHAIR:** That point has been taken on board by the committee—that water allocated to the environment is really not benefiting the environment and is having negative effects on people. We have heard that from a number of witnesses so far. We are due to break in a moment, but I am hesitant to break before we hear you describe these wonderful maps. So I am inviting you now to get creative and explain it all to us.

**Mr Lolicato:** I will, just very quickly. You have got four chokes on the Murray system. We only ever hear about the Barmah Choke, but there are actually four chokes. There is a choke between Hume Dam and Yarrawonga. That is 25,000 megalitres. Once you exceed that, you actually go out of channel. That is the top choke. It was originally 20,000; the government spent a lot of money a few years back to buy easements and other things and they actually negotiated with landholders to bump that up by another 5,000 megalitres. So now the limit there is 25,000. You go down further and there is the Toc choke, which is around Tocumwal. Once you exceed 10,600 megs in that spot, it goes out of channel. Then you go down to the famous part, which is the Barmah Choke. Once it gets to that section, the water can go north, up the Edward and the Gulpa; that choke is 2,000 megalitres. Add the two together, the Gulpa and the Edward: 1,950 it says, but it is around 2,000. The one that is the hold-up to this whole thing, and what is going to unsettle this whole Basin Plan at the end of the day, is the Barmah Choke. That is listed at 8,500. Now, as of three months ago—as I said before, I am on EWAG, the environmental water advisory group—we actually got the MDBA to admit to the fact that that has actually

reduced back to 8,000. We have got that in the public arena now, which is really good to see, because landholders—people who live along that section—have been saying it for years and years. Part of the problem with that is: the volumes of water that are being poured through there. Eventually, you have got banks slumping, you have got trees falling in and you have got all sorts of other issues. It is silting up. We are back to 8,000 megs now. So add 8,000 megs to 2,000 megs. Any water that comes out of the Murray storages, and also the two rivers downstream, the Kiewa and the Ovens, has got to go through either to the north, to the Edward, or to the south through the Barmah Choke. That adds up to 10,000 or 10½ thousand megs. So, as to these ridiculous volumes that these clowns are talking about all the time—'We are wanting to check out inundation levels of 30,000 or 45,000 or 55,000 or 65,000'—I say, 'Wait a sec, you guys. There is going to be an impact.' We had Craig Knowles in Barham. We took him across the flood plain, to the Wakool region in particular. We are the original Murray River, so, when big floods come through, the Edward loses water to the south and it ends up in the Niemur and the Wakool. So, when a big flood comes through, like that 100,000 megs a day that I was talking about before, that ends up where we are. We are the flood plain—65 per cent of the Wakool Shire is flood plain. So if you start increasing flows through our system, you are going to have impacts. As to environmental water: you said that environmental water is bad. It is not bad, if it is used right. I think you said that you have heard today that everyone is growling about environmental flows—

**CHAIR:** 'They are not contributing to the environment,' is what I said.

**Mr Lolicato:** Well, it is, to a degree, but it depends on what sort of environment you are wanting to go to. We had 60,000 megs go through the Wakool last year; it was terrific. It was well managed. We worked in with landholders. We had plenty of meetings. We have a good relationship with David Papps. That all worked beautifully. The stuff that we are really concerned about is this. One of the photos that I gave you showed blackwater in disconnecting bloody rivers. These were government decisions. The first one, the Wakool being disconnected in the 2007 drought, was a decision of government. 'Righto, we're going to disconnect you away from the Murray system.' That dried us up and we ended up with acid sulfates. You only hear about the Lower Lakes. We had huge problems with acid sulfates and other stuff.

Turning the pages: environmental water. I have there 'Environmental flows: why listening to locals is important'. We had huge fish kills, not just one year; three years in a row. Black water is a natural event. I am not complaining about it, but it is how it is managed. Start trying to play god and put a flood down when you do not have the dilution flows when Huey decides, 'No, I'm not going to help you out here,' will be a disaster. You have to have dilution coming through at the same as you water these forests. The Koondrook-Perricoota is going to be one of the biggest disasters we are going to have to deal—and I probably will be around and you will probably hear from me then too; 400,000 megs being stored in a pond and then they have to release it. If we have a natural event on top of that, the consequences are enormous, and we are only just getting governments to wake up to it. That is our concern: we have not been listened to. This has been a long process over a long period. I used to have nice black hair and plenty of hair on top, but it has all gone!

**CHAIR:** That is a passionate description of a problem. Thank you, gentlemen. Mr May, you have a final point.

**Mr May:** I am really interested in the question that you thought was not answered properly, and I want to go back to it. In the past, we did land and water management plans in the late eighties and they were all about a partnership between government and landholders, and the consultation worked. There is enough evidence to highlight how we can all work together. This is what is such a shame about this plan. Our consultation has been minimal, really, and they have not taken it onboard. That land and water management plan phase was fantastic. It highlighted the productive environmental benefits from productive water and the more profitable farmers were, the more environmental works they undertook. This is not new. We have been through this whole process before, it is just a shame that no-one put their hand up and said, 'Let's go and look at what worked in the past.' That is what we feel is the shame.

Back to the high-vale crops. In our land and water management plan phase, government was very keen on saying exactly what you said, that water should go to the highest value. I was chairman at the time and governments were saying, 'We've all got to grow grapes and we've got to grow carrots. You can get \$3,000 a megalitre return on carrots.' You only need one more carrot grower the size we have now and carrots will be worth noting. I think that is a lesson for everyone. At the time, we said, 'One, our soils aren't suitable,' because where we were we had heavy soils that were betted suited to rice. If we had gone down that track and encouraged everyone to put in permanent plantings, there would have been all sorts of problems. Now, permanent plantings have come into there own again—and the cycle goes around. We have to make sure—

**CHAIR:** My concern is not as you have described it. My concern is that anyone is telling you what to do, what to grow, what to plant. If you think the Murray-Darling Basin Authority does not listen and gets it wrong, wait until you have somebody telling you what is okay to grow and then it will really get messy. Anyway, thank you, gentlemen, for your comments. We do appreciate your evidence.

**Proceedings suspended from 14:58 to 15:17**



**BARLOW, Mr Luke, Chairman, Moira Private Irrigation District**

**DUNCAN, Mr Guy, Private capacity**

**EAGLE, Mr Neil James, Private capacity**

**SCHULTZ, Mr Lindsay Gordon, Private capacity**

**CHAIR:** Welcome. Is there anything you wish to add about the capacity in which you appear?

**Mr Eagle:** I am a horticulturalist, citrus grower and beef producer. I have previously been the chairman of Murray Valley Private Diverters, which Johnny Lolicato is now chairman of, and for four years was chairman of the citrus industry peak industry body.

**Mr Duncan:** I am chair of Torrumbarry Water Services Committee, which is one of the largest sections of the Goulburn Murray Irrigation District, the northern bank of which is serviced by both Hume and the Goulburn River. I have held various positions on dairy groups and was on the panel of the Murray-Darling Basin Advisory Group that met with Craig Knowles on several occasions—to not much avail.

**CHAIR:** Thank you all for appearing before the committee today. Do you have a brief opening statement?

**Mr Schultz:** Well, I did have, but the last lot stole all my thunder!

**CHAIR:** Think of it in terms of the quality answers you will be able to give to our questions.

**Mr Schultz:** I am looking forward to that.

**Mr Duncan:** I would like to tell you about my personal experience of irrigation over the past 13 to 14 years— anecdotal evidence of district destruction, for want of a better term. I will not say it has corrupted the water market, but I do think that the water market has provided yet another avenue for parasites to live off hosts, effectively, by way of commission, speculation et cetera.

**Mr Schultz:** I was going to touch on a lot of what John Lolicato touched on, but the triple bottom line has been covered enough. The main problem I see is the social side of things, which in my area is a real problem— and talking more about the Murray River, because I have lived on it for 60 years and I know it backwards.

**Mr Barlow:** Firstly, I would like to thank the traditional owners of the land on which we are holding this meeting. It is quite relevant to our position at Moira, where our pump station is situated, on top of the Cadell Fault, which is just below the Barmah Choke. The Moira Private Irrigation District supplies 94 irrigation farms and 60 stock and domestic properties within the region. It was constructed 50 years ago via landholder funds and continues to be fully funded by members without any government funding and consists of diverse agricultural and horticultural enterprises. All these businesses are supplying both domestic and export markets with raw products that require processing. All these businesses require a reliable water supply to sustain this production and provide employment both on farm and further down the production line.

The area has undertaken major environmental projects as part of land and water management plans in the early days and Landcare groups and various on-farm efficiency irrigation projects that were both privately and publicly funded. We have seen a diverse flora area increase as a result of tree planting, which has resulted in an enormous benefit to the local fauna as well as lowering groundwater salinity. Draining and re-use of irrigation water has led to the maximum water efficiency, and with new irrigation techniques we have become an extremely diverse, sustainable area. Our concerns are purely centred around water removal from a delicately balanced irrigation area. Whilst we acknowledge that the environment does require moisture, we reject the way the government has gone about this. The Murray-Darling Basin Plan has the potential to remove water from our area of production and employment and cause destabilisation of a delicate irrigation entity.

**Mr Eagle:** I would like to first of all thank Senator John Madigan and his fellow senators for being the first politicians to take seriously this threat to the future of irrigated agriculture in the Murray-Darling Basin and to Australia's food security. That has not happened in the past. We are in the process of witnessing the progressive dismantling of our nation's 100-year-old major irrigation system. I think there has been mention before of MIL and the Wakool shire's reduction in the water availability of its entitlements, so I will not go any further there, but that is an indication that this is not going to be sustainable into the future. When we hear of MIL making a loss for the past nine years, we are looking at a train wreck about to happen.

What has driven this insanity? First, there has been a misreading of the 2000 to 2010 drought as river decline, accepted by bureaucrats and politicians from both major parties of the scaremongering of pseudoscientists, such as the Wentworth Group, who in reality are anti-irrigation environmental activists. They claim permanent climate shift and future permanent decline in rainfall and river flows to the extent that dams would not ever fill again, only for the Basin to get flooding rains and spilling dams at the end of the drought. Regarding the myth of

overallocation, I explained in the papers attached to my submission—refuting this nonsense about overallocation. It is in the papers there, so I will not go further into it at the moment. If you want to ask a question on it, I will explain it.

Third, there is the false claim that the naturally estuarine Lower Lakes of Alexandrina and Albert were always fresh and should be maintained as freshwater lakes.

Fourth, the sustainable diversion limits, the SDLs, are another planned measure to restrict productive use of water. John Lolicato made mention of it earlier. Europe's river flow variation flow is two to one. Australia's is 50 to one or worse. In fact, in many cases, it is worse. How on earth is it possible to select which model to use? It is an absolute nonsense. When Libby Price, in an ABC radio interview with the then CSIRO chair dealing with that issue, challenged him as to which model to select, there was deathly silence. He did not want to answer that question.

There is the separation of land and water under the guise of moving water to high-value crops. Under MIS schemes, these high-value crops soon became low-value crops. There is suitable soil and climate in all areas of the basin to grow any crop. The water does not need to be shifted. I would like to make a comment here and maybe explain a bit more about it later. The water is in the hands of irrigators, but it is the resource of a region. If you let it flow freely without any bridling and restrictions, you could devastate regions. If water moves to what is, at this moment, a high-value crop but later becomes a low-value crop, what happens to the area you took the water from and had previously devastated? There needs to be a lot of thought given to this issue.

How do we rectify this monumental stuff-up? There is only one way, as our forefathers realised in the construction of our reservoirs: a secure supply of reliable water. This can only be achieved by, firstly, amending or redrafting the Water Act 2007 to give a triple bottom line of equal weighting to economic, social and environmental needs. The current act contravenes this basic principle which was laid down by COAG under the National Water Initiative.

Secondly, the structure of the MDBA must be changed to have the top water and agricultural appointees from each state as commissioners or board members and independent from political direction or other states' vetoes.

Thirdly, any action on further implementation of the plan must be suspended until a full evaluation is made of this Senate inquiry's recommendations. The tragedy would be if this Senate inquiry ends up being mothballed and not acted upon like the Living Murray inquiry, which was totally ignored in the end. There is the water currently being used for unproven environmental outcomes in low-flow drought periods when the rivers may run dry, and this year the river probably would have run dry. As Johnny indicated, there were eight years that the river ran dry prior to this latest drought. We have photos of them picnicking at the bottom of the river in 2014.

People do not realise that, in this last drought, the river probably would have run dry for four years out of that drought. Period. We would not have had any water flowing down to the bottom end. The fact that that did not happen is a reflection of our forefathers having enough brains to realise that this was a real problem. We have such a variable climate and inflow situation that they needed to build storage. They did, and that is the reason we did not have a dry river.

Before and after the construction of lock zero near Wellington, South Australia, the future management of the naturally estuarine Lower Lakes must be fully evaluated. This is the largest loss of resource in the total Murray-Darling Basin system, and it is all for a futile objective that is politically driven. Some of the saved resource could be redirected in low-flow years to productive use. The productivity and health of the Lower Lakes could be restored with re-establishment of the Murreumbidgee fishing industry, which was a big industry before the barrages were constructed. The productivity of the Basin in South Australia and the upper states could be secured in the national interest.

The need to act on building of new storages at last is being discussed. There are numerous already identified evaluated sites: Murray Gates, Clarence Diversion and the Mitchell River in Victoria. Those are sites that should have been acted on. Imagine the resources that would have been available for such national building projects if our political leaders had not been duped into building the mothball desalination plants for Brisbane, Sydney, Melbourne, Adelaide and Perth—maybe Perth might have some value—squandering billions of dollars of resources that could have been put to useful purpose.

The mandatory reading for anybody dealing with the Australian water policy issues should be the late Professor John Briscoe's report. I submit the submission by Peter Millington, who was the director-general of the New South Wales Department of Water Resources between mid-1980 and mid-1990 and is now a consultant. I consider him to be the most knowledgeable and balanced water policy expert currently in Australia.

Finally, the interim report on the House of Representatives evaluation of the living Murray in 2004 was subsequently buried, but if acted upon maybe we would not be dealing with this mess now. The devastation of production, employment and communities is already massive. Realise the real endangered species are our next generation of irrigation farmers and their communities not the river red gums, the southern bell frog, native birds and fish—all of which we should and do actively strive to protect but for what, if all the people and the produce are gone?

**CHAIR:** This is not meant to be negative but many of the points that each of you have raised, in terms of the overall plan or even its broad approach in this area, have been heard by the committee previously. I am not going to say that we do not want to hear that, but I am first of all going to ask each of you as irrigators to talk about your own personal experience on your own properties with the implementation of the plan. What consequences has it had for you as irrigators? Once we have dealt with that, we can then talk about your perceptions more broadly of the plan including the assessment by Mr Eagle. If I can kick-off by each of you talking about your own personal experience on your farms as irrigators.

**Mr Duncan:** I grew up south of here in Shepparton. I own a dryland farm about 45 minutes from here. I was on a farm. I went away to university. I went to Swan Hill and got into vegetable production. I then saw an opportunity to get into the dairy industry, which involved me working with animals again, which I liked, as opposed to vegetables. There was a door there and I thought I would jump through it, so I did. It was about 13 years ago that I started. I started on wages and then went to a share farm position. Then for the last six years I have been leasing. The leasing part was not forced on me, but the landowner wanted to get rid of his cows so the option was to get in or get out. I saw a future. The milk price was high. Then the milk price dropped and crashed. At that stage it was time to cut the losses and get out. At that point in time the wisdom—for want of a far better word—of a few people in Shepparton was the food bowl modernisation plan, which you would be well aware is the modernisation of the Goulburn Murray Irrigation District.

I was visited by a farm irrigation assessor about seven years ago and was promised the world. I did not expect the world, however, I did see a viable future by way of modernisation of infrastructure. Since then, because part of that project was in the too-hard basket they jumped to the next project. As a result, I have been in limbo now for six years, and I still do not know at what point of my property the water will be coming from. I have been constrained in every way, shape or form of implementing infrastructure and water efficiency savings or accessing Commonwealth on-farm efficiency grants.

As a result of that, about four months ago, I went for finance for the farm, but because I had been bleeding money for the last six years I was unable to get that and somebody else has come in. I am forced now to go back to milking for somebody else and being away from my children for 11 hours a day. It has also resulted in constant relationship stress—pretty much along the lines of, 'Why the bloody hell did you buy that place next door?'. I bought it because at the time it looked very viable.

The plan has exacerbated that stress by the way that water has been purchased out of the system and created a Swiss cheese effect, particularly in the Goulburn Murray irrigation district, which is a very high cost system, because when the water was initially traded out it was argued by a learned gentleman and someone in this room quite a bit older than me that those costs must be associated with that megalitre of water. That was rejected because the federal government would not pay a state tax, which is how they termed the delivery share, or the running of the system. As a result, GMW went from a 60 per cent fixed cost scenario of 40 per cent variable, which was the water that was used in it, to a 90 per cent fixed cost—10 per cent variable. This effectively means that last year when I was leasing the water with the property, I was paying an account of about \$17,000 to \$18,000, and the actual water component of that consisted of about \$3,500 to \$4,000. Basically, whether I irrigated or not, I was, effectively, up for that cost—whether the water was allocated or not. This is a very big concern for our system because—we will get into the trading later—unless the system is used, it cannot be funded. The system is gravity based—its off takes are Torrumbarry Weir right though the Goulburn system and higher through Barham Murray valley. It is based on a low cost gravity delivery system of water. We are now being changed to a high cost, high-tech system. With the aim of a carbon friendly world, considerable amounts of pumping are being instituted into that system, which will have obvious effects, both by way of the production pipeline and energy use.

The biggest concern for me with the Basin Plan is that, obviously, you lose your critical mass—we talked about the volume before—and also, there is the fact that the environment does not trade water. This is a big issue, and the circumstances under which water may or may not be traded into the future.

**CHAIR:** I will summarise the situation—tell me if I have anything wrong. You had a leased farm. You could not get a water allocation for it, or you could not buy water for it, or you could not get it delivered?

**Mr Duncan:** I could buy water for it, but the delivery system was dilapidated.

**CHAIR:** You could not get it delivered.

**Mr Duncan:** And as the water price goes up, your efficiency of water is greatly diminished, and the problem we have at the moment is that too much money was spent early on in this project and it has effectively created two classes of irrigator: some who have—I have said it before—Rolls Royces and Ferraris, and some who are still manually pushing their FJ around the road.

**Senator McKENZIE:** Don't denigrate the FJ!

**Mr Duncan:** Okay—Chrysler then!

**CHAIR:** So it is basically poor infrastructure and a poor water delivery system that is stopping you from farming?

**Mr Duncan:** In my personal circumstances, yes. That is because of the fact that I have not had any indication—they would have been better off coming to me seven years ago to tell me that they were not giving me a cent, because I could have gone and borrowed the money and put infrastructure in. At this point in time, I am not sure whether the water is coming from that corner of the farm, the other corner, or over the back. So to make significant capital without any idea of an outcome—there is a bit of *deja vu* when we talk about these water projects as far as the government goes—is just idiotic for me.

**CHAIR:** Does the water come to your farm boundary?

**Mr Duncan:** Yes, it goes right through the farm.

**CHAIR:** So your problem is getting it spread out on the farm.

**Mr Duncan:** That is correct.

**CHAIR:** You want to water your pasture.

**Mr Duncan:** That is correct.

**Mr Schultz:** You have opened a barrel of worms here. I was not going to bring this case forward, but I am here. I live in Benjeroop in Northern Victoria, and we experienced some very heavy flooding back in 2011 and we were under water for four and half months. The government at the time—Peter Walsh—saw the opportunity to force the farmers and take the water for the Murray-Darling Basin plan. Rural Finance stepped in. They went to each farm and they put pressure on each farmer and gave them, they thought, some pretty good offers. Basically, they said, 'You've got 30 days to make up your mind, then you're out of here.' That is what happened. The only bloke left there is me.

**CHAIR:** So they sold their farms—

**Mr Schultz:** They sold their farms to the government.

**CHAIR:** and their water rights?

**Mr Schultz:** The government took the water; then they put the farms back on the market. I tendered for a couple of the farms, but they were not happy with the tender forms, so they just tore those up and sold the farms individually to one owner. There are only two of us now in Benjeroop. I have water and he does not have water.

I have seen a community wiped out because of the Murray-Darling Basin Plan. I have seen how the water has been taken away from the community. We have the best—and I mean the best—land. You can grow anything in Benjeroop, and anybody who knows Benjeroop will back me up on that, but it is totally and utterly useless unless it has irrigation water.

**CHAIR:** So you are irrigating still?

**Mr Schultz:** I am still irrigating; I have irrigation. They want to shut the irrigation system down. I have said, 'That's not a problem; you go and shut the irrigation system down if you like,' but they want me to use a system that is 11 megs a day and I have been using between 30 and 40 megs per day. I said, 'You go and clean up the mess that you made when you came here, and put this irrigation system through in the 30s. You fix it up, pay for all that and give me a system that is equivalent or close to what I used to have, and then I'll be happy.' But we are going nowhere. Nothing is happening.

**CHAIR:** Is your neighbour not entitled to buy temporary water?

**Mr Schultz:** Yes, he can buy temporary water.

**CHAIR:** Is he doing so?

**Mr Schultz:** In one small area, because he can pump water into one small area, but 95 per cent of it is dryland farming.

**CHAIR:** Before those properties were bought by the government, didn't they all have water?

**Mr Schultz:** Yes, they all had water. It was a thriving district. There were four or five dairy cow farms.

**CHAIR:** Why can't the new owner, your neighbour, still pump water with temporary allocations?

**Mr Schultz:** Because they shut the irrigation system down. They went through and pulled all the wheels out and all the stops out. They have a channel all the way down to my place. I am the only person with a stop and three wheels. Everything else is just closed up.

**CHAIR:** They physically ripped it up?

**Mr Schultz:** They physically ripped all the stops out. I am the only one who can get any water out.

**CHAIR:** Who did that?

**Mr Schultz:** Goulburn-Murray Water. It is NVIRP, but ours is called something else now; it is called Connections. I am more than happy for them to shut it all down, but I am not going to have the FJ when the Ferrari is out there.

**CHAIR:** This is interesting.

**Mr Schultz:** It is disgraceful.

**CHAIR:** It would require a massive reinvestment in infrastructure to bring that land back into irrigation, wouldn't it?

**Mr Schultz:** What happened was that, before the floods, there was already \$4 million allocated for the district to put in pumping systems and shut the system down—this was for the new system—but, when the floods came, the government at the time used that \$4½ million and put it with another package for the buybacks.

**CHAIR:** Mr Barlow.

**Mr Barlow:** In line with the regulations for this inquiry, my submission was part of the Moira Private Irrigation District, not on an individual basis. I am happy to answer any questions in relation to or talk about the Moira Private Irrigation District.

**CHAIR:** We will get onto that. You don't want to talk about yourself?

**Mr Barlow:** I can talk about myself, if you like.

**CHAIR:** Most people can! I mean no disrespect, but we have heard a lot about what is wrong with the system, but I do not think we have heard sufficient individual case studies, and that is why you are here in two capacities—wearing two hats, if you like—representing the organisation but also as an irrigator. Before we get onto your organisation, I would like to hear your story, fairly briefly, as an irrigator. What effect has the implementation of the plan had on you personally?

**Mr Barlow:** I will go from the start. I came back to the family farm in 1992. The family farm was predominantly dryland with a bit of irrigation. In 2002, my wife and I purchased an irrigation property within another irrigation district, Moira. Of course, as you know, it was quite a baptism of fire with the droughts. There were low allocations; we had an irrigation farm that was terribly run down and inefficient in applying water. There was no problem getting water to the boundary, but, from then on, it was a struggle. We recognised that there were better means to use water; there were more efficient systems to put in place. So we have removed all of our border check system and replaced that with overhead irrigation, a lateral move irrigator.

**CHAIR:** What are you growing?

**Mr Barlow:** Let me get onto that one, please.

**CHAIR:** Okay.

**Mr Barlow:** Since then we have had some glorious years of 100 per cent allocations—some 60s and 80s and back to 13 now. Predominantly, we are focusing on winter crops, being canola, wheat and barley. We are also growing faba beans as a high-value crop, and, what a previous speaker, John Brady of Kagome, spoke about before. The benefits of those leguminous crops to our soils certainly set us up for better rotation down the track.

In those 100 per cent allocation years, when we had what I deemed enough allocation, we ventured into double-cropping. On the same area over 12 months we were putting two crops in. The summer crops consisted of corn, grain sorghum and soya beans, for human consumption. While the water was there and our infrastructure was there and our organisation had the ability to deliver water, we could participate in quite a profitable business.

Since then, the Basin Plan has come into play. On a personal level to us it has not had the impact it has had in other areas, because we are associated with a private irrigation district. Prior to the 2007 Water Act coming in, it was a very closed system with a lot of different rules, but the new Water Act came in and opened up a lot more

rules and we had to abolish a lot of our operating systems. We are under constant scrutiny for compliance with new rules and regulations.

Our biggest concern now, as a personal irrigator, is the destabilisation point. Currently we are sitting in balance, but the more water that leaves the district the less balance we have. We are not a gravity system. We have to pump out of the river with our five pumps. Any exit of entitlement from that system leaves a higher pumping cost for the individuals who want to remain irrigators, and also a higher conveyance loss through our open channel system.

**CHAIR:** Mr Eagle?

**Mr Eagle:** We were involved in three private irrigation schemes, supplying our property. My concern is, much like Luke, a change of rules in the future. Any loss of water out of the system progressively makes it less and less viable, and, possibly, in the end it will not be viable. We also have rules that have been imposed in relation to water trade that are an absolute nonsense—there is a need to get 50 per cent agreement from all of the entitlement holders of a WAL, in volume, to actually have water exit the WAL, out of the scheme. But the requirement is, ludicrously so, that it needs 100 per cent of the entitlement holders of a WAL to bring water back in. That is just unbelievably stupid. It makes it almost impossible in a large scheme. One of the schemes we are in has about 85 members in it. To get 100 per cent agreement, to actually round them up and get an agreement to bring any water back in permanently, is almost impossible.

**CHAIR:** Why would you let it out in the first place?

**Mr Eagle:** There are various things. These are individuals. As you have said, they have a right—

**CHAIR:** But 50 per cent is required. Would you get 50 per cent?

**Mr Eagle:** Fifty per cent of the entitlement holders of a WAL have to agree to an exit. This is of the volume of water entitlement, not the individuals. So you might only need half-a-dozen people out of 30 to 80 people to get that agreement. So that is not so difficult. But to get 100 per cent to bring any water back in is almost impossible in a large scheme. This is the sort of nonsense that we are dealing with now. I have had a good life—and, hopefully, it will last another year or two—but I am concerned about the future generation of farmers. Two of our children are in that position and are involved in these schemes, and if you look at the prospects for the future under the nonsense that has been imposed it starts to become worrying, for sure, as to what future there is, and I have absolutely no doubt that the members that are in the schemes are thinking the same way. Certainly our children are.

**CHAIR:** Your concerns are primarily the same as Mr Barlow's in relation to stability.

**Mr Eagle:** He has got concerns. He is seeing that as a problem. If we look at water availability, prior to the cap and water starting to be taken back out of production—this goes way back before the plan—the reliability factor on the Murray for 100 per cent allocation on any entitlement was around seven to eight years out of 10. I have absolutely no doubt now that that level of reliability has dropped back dramatically, and that is a real concern because, as I have said in my paper here, the only thing that governs the future viability of the irrigation system is the reliability of water. If that drops back, the very basis of the whole system is in question.

**Senator MADIGAN:** Gentlemen, we have heard that you are concerned about the future, and I suppose this question is directed firstly to Mr Duncan and Mr Barlow. An issue that has been touched on today is the carryover of water, and I feel that it has not been really flushed out enough, so to speak, or thrashed out.

**Senator McKENZIE:** Very punning, Senator.

**Senator MADIGAN:** It has not been thrashed out enough. As some of the younger farmers in this room—and for your offspring in years to come and for your grandchildren—what is your view of this carryover of water? How it is affecting your ability to farm now and how will it affect future generations' ability to farm?

**Mr Duncan:** I make no hiding of the fact that the only reason that carryover was introduced in Victoria was to secure water for the North-South Pipeline. It was sold under the guise of a flexibility tool to irrigators, but really it was just about Melbourne Water having water when they wanted it and for what they wanted for urban use in Melbourne. It was, as I said, sold under the guise of a magic flexibility tool for irrigators, and this is part of the problem. When we go back to reliability that Mr Eagle was talking about, Victoria was built on sustainable industries of dairy, horticulture, prime beef and sheep. They are commodities that must have water every year—year in, year out. When I went to the first advisory group that was chaired by Mr Knowles, he said to me, 'What do you want?' and I said, 'Well, under your operation, what I want is a magic shed.' He looked at me like I was an idiot and said, 'What do you want a magic shed for?'. And this is an analogy I use quite often when trying to explain it. In that magic shed I want 2,000 ewes in lamb, 300 springing dairy cows, 400 springing beef cows,

20,000 vines about to hit production and 20,000 fruit trees about to hit production, so when I know which commodity is going to pay the most that year I will just wheel them out and start them up.

It does not happen. New South Wales is a very different system. We have heard it is opportunity watering. They basically use or lose all water. That is why the rice and one-off annual crops are common on the other side of the river. But, when we go back to the buyback of water and the reliability, the same price was paid for Goulburn and Murray high-reliability water—which is by far the best reliability in the country, or has been—as was paid for the water in the middle of New South Wales. If you want to base the price on reliability, instead of getting between \$2,200 and \$2,700 a meg at the peak—it is nearly \$3,000 at the peak at the moment because South Australia is back in the market—Victorian water really should have been worth in the vicinity of \$6½ thousand to \$10,000. That just was never truly reflected in the price.

Now all the water that is allocated first is Victorian high-reliability water. That is why the gravity system was installed and why it was put out over such an area, because it was sold on reliability and permanence of industry, which is why the set-up there is the biggest exporter out of the Port of Melbourne. We have seen SPC go down the tube. We have seen wine grapes go up and down because of gluts, because it is all good for MIS to come in. If we go to MIS, that is another bugbear. MIS was a flawed proposition, from any political persuasion. They came and they bought the water as a tax offset the first year. So every cent that they paid for permanent water was just a write-off on tax. No farmer could do that. I said to Lindsay before it started, 'If you had made \$20,000 on your profit on your farm that year, why couldn't you go and buy 10 megs at \$2,000 and write it off on your tax?' But you were not allowed to, because you were not an MIS participant. That is what artificially inflated the price of water initially.

Getting back to carryover, no, I do not think it is working. I think carryover is a very good tool, for argument's sake, if you have got a 500-meg water allocation or a 500-meg licence and you only get 470 or 460 out and you get a rain event and so you have got a bit of spare water there. That 10 to 15 per cent threshold, yes, is a very good flexibility tool, because you know you have not lost that tariff that you paid or the commodity or the resource that year. But, as far as banking against what the value is going to be in the use of the carryover for speculation and the holding up of valuable airspace in the dam—if you are going to do that, well, the first water that spills over the dam when the spill happens should be environmental water, because it is only going one place, and that is down the river. It should not be taken off irrigator or urban entitlements. It is a ridiculous proposition. If the water spills into the river, it is in the river. The river is the environment. That is its first allocation—whatever spills over that dam wall.

**Mr Eagle:** I would like to make a point about that, talking from a New South Wales perspective. I was involved initially with the department at that time in developing a carryover scheme, which was resisted quite strongly by quite a lot of the irrigators at that time. They were worried about it taking up dam space. Finally it was agreed to trial it on a 10 per cent carryover basis, on the basis that it was the first water lost when Hume prereleased or spilt. This is on the New South Wales Murray system. It is an insurance policy. After a year or two, the irrigators realised that it did not take up dam space, provided it was the first water lost. Then it really does not matter a stuff whether it is 100 per cent carryover that is enabled or 10 per cent or 15 per cent or 30 per cent—provided, if the dam prereleases or spills, it is the first water lost.

There is discussion going on at the moment as to whether it should be capped, because we have had resistance of people wanting it to be the first water lost. Unfortunately, the introduction of that scheme has been bastardised and changed, without the industry knowing. That is a tragedy, because it really was a very effective, good tool for people to manage their risk to some extent. Now that the rules have been changed to get it back again, there is a resistance to change it back, because, if people have bought water, they do not want to think that they are going to lose it if the dam spills or prereleases. But the elephant in the room now is that we have got the Environmental Water Holder, and they are the biggest water holder. If they are sitting on a large amount of water and the dam pre-releases and spills, that water has not been lost. So it is taking up dam space now. It has become a very real issue as far as restricting the possibility of increases in allocation in any given year is concerned. So it is an elephant in the room, I tell you.

**Senator MADIGAN:** Mr Eagle and Mr Duncan, the point I am trying to make here is that, as you explained Mr Eagle, there was what they intended to be the consequence of carryover but now I am trying to define what has been the unintended consequence.

**Mr Eagle:** The unintended consequences when you make it not the first water lost means water is taking up space in the dam and allocations will not increase.

**Senator MADIGAN:** Yes, but then of course we are going on to what is the effect—

**Mr Eagle:** That has massive implications.

**Senator MADIGAN:** Yes, and what are the implications, what are the outcomes for the future of our young farmers who are trying to come into the market because I am hearing from people that it is hamstringing, it is crueling, it is destroying the future for the next generation of farmers. One of the unintended consequences which has been put to me is that this is being bastardised, for want of a better word.

**Mr Eagle:** 'Bastardised' is the word.

**Senator MADIGAN:** Yes, by some unscrupulous traders, speculators in the market and that water is not a commodity. Everybody needs water and, most importantly, we all need food, no matter who we are or where we live. If we are not careful, we are not going to have any young farmers to pick up the cudgels in years to come because they are just being decimated in this unintended consequence.

**Mr Duncan:** In the last two weeks, I have had two phone calls from the young farmers you are talking about. They were victims of the Benjeroop buyback. They are both absolutely desperate. They are asking me, 'What do we do?' They have no water. They have gone to the temporary market. They both have young families. Young Jamie Semmler has picked up a job in Melbourne. He is away from his family. It is an absolute mess.

**Senator DAY:** Mr Eagle, you say in your submission that approximately 200 gigalitres per annum has been diverted from the Snowy River system out to sea.

**Mr Eagle:** It is in the submissions I have sent in before. The situation is that the Snowy was talked about as having only one per cent of its flow going to sea. That is accurate if you go from—in the first 30 kilometres to Jindabyne, 62 per cent of the original flow of the Snowy still goes to the sea—prior to that amount of water that we are talking about. I have no problem. With the misinformation that was peddled, if they had called it the 'Eagle stream' they would not have given it any water but because it is the iconic Snowy, the talk that there was no water left in the Snowy was all—

**Senator DAY:** What was the rationale behind doing that?

**Mr Eagle:** What I am saying is that it is the misinformation that has been peddled to the public that I really take exception to. I raised that at an MDBC meeting one time with Blackmore and Green at one time. Here we had that body saying that there was only one per cent still in the Snowy, when in actual fact 62 per cent of the Snowy flow at that time was still going to the sea because other tributary flows, other than first small 30-kilometre distance after Jindabyne, they are not intercepted. It is the misinformation. People were being fed this and they were aghast to think that there is only one per cent of the Snowy still in the stream.

**Senator DAY:** I accept your facts. I understand from your submission what they did; I would like to know why they did it.

**Mr Eagle:** I do not have a clue.

**Mr Duncan:** Green votes?

**Mr Eagle:** Green votes—I presume it was, but you people are politicians; you would know a lot better than me why they would do it. But I am aghast to think—this is the problem we have with the whole system. We have had misinformation being peddled to the public, and decisions are being made. It is like this business of the river dead and dying. Marohasy had Peter Cullen on a Sunday morning program. He had been stating that the rivers were in massive decline. This was early in the drought. She got him cornered on the Sunday program: 'You tell me what is wrong. Salinity levels at Morgan are now at pre-World War II levels. Turbidity levels are stable. Nutrient loads are stable. Tell me what is wrong.' Cullen had to finally admit, 'Actually, the rivers are in quite good health.'

This is the problem that we have as a community. People that we should supposedly take notice of, that are knowledgeable, are peddling mischief. I do not mind quite so much if they make a mistake, but when they are peddling mischief that they know is wrong, I take exception to that. That is what has been happening and that is what has driven this nonsense. How can we have people talk about overallocation when there is no such animal as overallocation? The first water goes to conveyance losses; then to critical human needs, which is towns; stock and domestic; identified environmental needs; and then, after that, if there is any left over, the irrigators get some.

In the last drought, four years out of the 10, the general security irrigators in New South Wales got two years of zero, one year of nine per cent and one year of 10 per cent. How can we talk about overallocation when they have no allocation, if they are the last ones to get allocation attached to their entitlement? It is peddling misinformation that I really take exception to.

**Senator DAY:** You say in your submission that new storages need to be added.

**Mr Eagle:** Yes.



**Senator DAY:** Where do you think these new storages should be located?

**Mr Eagle:** I know one—the Victorian one—that was turned into a national park on the Mitchell. During the drought that river had three floods that did a massive amount of damage, and they built a bloody desalination plant instead of building the dam on the Mitchell that could have been reconnected to the Thompson for Melbourne's supply. As I understand it, Murray Gates—the Cargelligo and the Murray—is classified in New South Wales as the cheapest dam to build for water yield for money spent. Then there is talk about the Clarence diversion. There are a whole heap of different possibilities. How in the hell can we build all these desalination plants and squander all this money and refuse to look at building some bloody dams, like our forefathers had enough brains to do? We have people talking now about building dams. Like the Ord, I am totally in favour. They were talking about raising it—what a nonsense. They only use 10 per cent out of the thing at the moment. They are building another dam in Queensland—that is fine; I am totally in favour—but how can we talk about doing that? From when the cap started, we will end up taking the equivalent of half the historical water use from the Murray-Darling Basin out of productive use. We are talking about 5,000 gigalitres of productive water use being taken out. We are talking about building a dam in Queensland that is going to produce I think 500 gigs, so it is about a tenth. We are talking about taking out of production 10 times what we are talking about building.

**Senator DAY:** If you could take this on notice and perhaps come up with some suggestions of where else you think new storage facilities should be. With politicians, what you call something is really important. If you do a survey and ask people about dams, they do not like them, because they are big concrete monstrosities that affect the environment. But if you call them reservoirs, they all think they are wonderful—

**Mr Eagle:** Reservoirs are great, yes.

**Senator McKENZIE:** You might correct the *Hansard*.

**Senator DAY:** If you start calling them reservoirs everybody loves them. You suggested there should be a new weir built at Wellington in South Australia at the true Murray mouth, which is before it gets into the lake. It has been suggested there are quite a number of engineering issues and problems associated with that.

**Mr Eagle:** I do not know the South Australian areas well, but as I have had it explained to me there is a solid base in an area that is upstream of Wellington, but regardless of that, apparently, and I am not an engineer, with friction piling it can be built in unstable soils anyway, so it is nonsense that we cannot build a dam—or a reservoir!—somewhere near Wellington. It can be done, engineering-wise. With the new technologies now that is not a problem.

I have a lot of friends in South Australia, and people should not be looking at us as states—we are Australians and we should look at the interests of all Australians. The inaction during the last drought was a tragedy. I was asked to talk to South Australian irrigators at Renmark during the drought, and I did. I said to them we should build a reservoir near Wellington and stop the losses in low-flow drought periods. If you did that then Adelaide would be the most secure city in Australia for water. It would have saved all the irrigators in South Australia's area. I am in favour that they should have had water—50 dairy farms around the lakes went out of business during drought—I think three have started again—and 30 per cent of the horticulture went out of business in South Australia and about the same in Sunraysia. The tragedy is that it did not need to happen. When I spoke to these fellows they all agreed it would be sensible for us to build that but I said if it is going to happen it really needs to be driven by people from South Australia requesting that the change take place. They obviously went out of the meeting room at Renmark that day and looked over the bank and saw the weir pool chock-a-block full and thought they would never run out of water. But they did run out of water. There is not enough water in store in our system to maintain the loss that we are talking about down there. That is what happened, and that will happen again if you get an extended drought.

As far as the aim of keeping Coorong to the sea open is concerned, build the reservoir near Wellington and then you can take the boards out of the tidal gates and allow the Southern Ocean to do the clearance that would take place then. As far as the Coorong is concerned, obviously it is in South Australia's hands to do some redirection of the water that was diverted to reclaim that swampy country—it is beautiful country—and some it should be redirected back into the southern end of the Coorong. These things can be done and should be done in my opinion in the interests of not only the upstream people but also South Australia. In my opinion there are great benefits from the changes that could take place in South Australia. I believe that it should be looked at.

**Mr Duncan:** The other dam proposal for Victoria—

**Senator DAY:** Reservoir!

**Mr Duncan:** Sorry, reservoir—would be the Buffalo reservoir, which could be and funded entirely by the environment and they could use all the water for the environment and leave the irrigator storages, which have been paid for for a century, well and truly alone.

**Mr Eagle:** I would be delighted to talk to some people I know who would know a lot more about it than me about what are the prospects for storages. They have been evaluated—they are all evaluated. It is not in my field to know all of them—I know a couple, that is all. I know a couple of them that should have been done already.

**Senator McKENZIE:** Thank you, gentlemen, for your evidence before us today. It does raise a lot of the issues that, obviously, we have heard throughout the inquiry. Mr Eagle, you commented on an issue I really wanted to broach with the lot of you. What framework, regulation or legislation do we need to bring in to actually ensure that South Australian governments, other state governments or irrigators from other spaces cannot be buying water from our system here to meet critical human need whilst refusing to turn on the desalination plant, for instance—either in Victoria, South Australia or, indeed, elsewhere in the country—taking water out of our communities and from productive use simply because it is cheaper than turning on those incredibly huge white elephants?

**Mr Eagle:** I agree. That is a vexed question and I guess it is a political decision.

**Senator McKENZIE:** It is a question for this committee in terms of the recommendation that we put forward.

**Mr Eagle:** I agree.

**Senator McKENZIE:** How do we address that? That can happen.

**Mr Eagle:** I think you would address it on the issue of future food security for our country. You need to maintain a farming base. We are in danger of destroying the irrigation farming base of this country, which is the Murray-Darling Basin, and, unless there is a reliable supply of water, the people will not be there into the future.

**Senator McKENZIE:** I appreciate that, but what changes do we need to implement into the water trading environment? John Brady, I think, in his submission went to increased transparency et cetera. What changes can we make to the water trading environment to ensure that that does not occur or that governments or water holders have to—Mr Duncan, are you leaning forward because you want to say something?

**Mr Duncan:** Under the current scenario, probably nothing. I do not see that you can restrict that trade.

**Senator McKENZIE:** We are going to make recommendations from this committee, so would that be something that you would support?

**Mr Duncan:** The recommendation from me, for system viability, would be—a recent example is that the CEWH has just put 20,000 megs of Goulburn environmental water onto the market. In my opinion, that 20,000 megs should only be available to irrigators in the Goulburn system. That should not be available for outside speculators or out-of-river pumpers on greenfield sites up north of Robinvale for almonds et cetera. It is just ridiculous when you have a situation where the capacity or the tariffs on a Goulburn-Murray Water irrigator are about \$30 or \$40 per year without pumping a megalitre of water onto your land, and they can come in with a \$7 diverter's licence and a \$6 pumping fee and buy that water hand over foot whenever they want, from year to year, without that ongoing infrastructure cost.

The argument to the ACCC would be that we are a unique system with a high cost base and it is because of decisions that were made not to tag the cost of that water earlier that we are reaching a critical point. I think we probably reached it six months ago—I have been on about this for years, but the last six months in particular. It should be addressed soon—the transparency of the trading. Every megalitre of water that the environmental holder holds, whether it is the VEWH, the CEWH or on-farm efficiency gains, is tagged. They know where every megalitre is and every system that it has come out of. It is not rocket science; it should be available for tender based on your delivery share in that system or the charges to that system. I would argue that there needs to be a bit of give and take and that the environment would be able to trade it purely back in that system. It is now easy through the Victorian water region, and I assume it is the same in New South Wales—on computerised meters, that water can be audited at the end of that season.

So if I tendered, for argument's sake, on the basis of four delivery shares at the rate of 50 megs a delivery share, and at the end of the season they went back and looked at my meter and said, 'You have used 180 megalitres of water,' they would not even look at you. But if you bought 200 megs in that tender and you can only account for 20, which means that you have on-traded that 180 megalitres at a profit as a speculator and not for agricultural productive use, I think the hammer should come down hard. If the environment is prepared to trade to the irrigator, then that irrigator has left himself liable for a ballpark figure of a fine of \$500 per megalitre for outside trade. The trade was made in good faith for that system, and if he has abused that then he should be fined.

**Senator McKENZIE:** Mr Schultz, I know you went directly in your submission to water barons and superannuation funds involved in the trade of water. What changes do we need to be looking at?

**Mr Schultz:** I have a pretty simple solution. Really I feel it should just go back to irrigators. You would have to have irrigation land to be able to trade in water. You would only register as a buyer or a seller. If you were a buyer—in a situation like mine, I am a buyer; I buy water when I can afford to buy it. I cannot afford to buy it at the moment. If you want to sell, you only get to sell once. I know that sounds pretty simple. Do I make any sense there? You either register as a buyer or you register as a seller, and you can only sell once. When I want to sell my farm when I want to retire, I can sell my farm and the water. But that would take all these traders right away from it. These dams and these weirs and these irrigation systems were built for irrigators, not water barons.

**Senator McKENZIE:** I will keep asking everybody that question because I think we will end up with quite a variety of solutions. For the committee, I think we need to make clear that there are differences in how carryover is treated between New South Wales and Victoria. I am not sure that is clear to the committee, so would somebody like to explain the differences so we have it on the record?

**Mr Schultz:** Neil, you would be the man.

**Mr Eagle:** I think I have explained the New South Wales one. I would be interested to hear the Victorians explain the Victorian system—

**Senator McKENZIE:** Because it is not the same.

**Mr Eagle:** a little bit more clearly.

**Mr Duncan:** You can carry over up to 100 per cent of your allocation, and once you are allocated it, next year it falls out the other side unless you have low-reliability water, which is something that has been paid for in tariff for the last 15 years and has never been allocated. That low reliability is effectively airspace in the dam for that megalitre, so you are paying a storage tariff on that, and that is where it goes into. Look, even though I am a chair of a water service community, carryover still gets me baffled to a point. I just think in Victoria it was never required because of the high reliability of the allocations. Since that has been diminished, that is the other guise under which carryover has been brought in: as a flexibility tool. As I said before, the only reason carryover was ever brought in in Victoria was for the North-South Pipeline. That was its embryonic stage—

**Senator McKENZIE:** You made that point.

**Mr Duncan:** and it has grown from there. You will get wide varieties of opinions. I suppose at the end of the day a lot of it comes back to the individual farmer's financial position, their level of equity, the level of risk they are exposed to and how much they are prepared to gamble on what they are going to hold in and hold out, or whether they buy to carry over at the end of the season. But the general theme I get from irrigators in Victoria now is that they do not like carryover on our system. I would be fairly confident in saying that, for 80 per cent plus of irrigators, if they took carryover away, there would not be a riot in the streets.

**Senator McKENZIE:** Mr Barlow?

**Mr Barlow:** It gets back to Senator Madigan's questioning previously about young farmers and carryovers. I did not quite get a chance to put an opinion in there. I appreciate you calling me a young farmer, John; I am 42.

**Senator McKENZIE:** It is all relative, Mr Barlow, to the average age.

**Mr Schultz:** I can assure him that that's still young!

**Mr Barlow:** Well, to put that into perspective, 50 years ago the Moira Private Irrigation District was founded and created by a dozen foundation members going and knocking on doors to get money to formulate the big channels, to buy pumps, to buy a licence and to get some sustainability and surety in their business. The average age of those guys was about 45, so young farmers are getting older.

On carryover: whilst I can appreciate Mr Duncan's explanation and I surely cannot match Mr Eagle's expertise, as a private irrigation district, carryover to our members was not available until possibly—do not quote me on this, because I have only been in the district since 2007, but it was before my time. The carryover was carried over by the board, and then it was distributed to members and used as conveyance water on top of that.

I think some of our previous speakers today talked about the reduction in the bucket size. That is because the water that the government holds now was actually entitlements on farms. Now that has been removed off farm and put in a Commonwealth Environmental Water Holder bucket. Therefore the amount of irrigation and intensity on that water, or demand for that water, remains the same, but the bucket is smaller.

In New South Wales our allocations, especially in general security water, are not that secure. It has even got to the point now, in the Lower Darling system, where the high-security water entitlement holders consider their

high-security licences lower than general, and the only option they have is sale: remove permanent plantings and sell their water. In our situation in New South Wales a lot of our members are using the carryover as a benefit. I say it is a benefit because it enables them to secure their production for next year on the irrigated land because they have no confidence in what the allocation is going to be. That is probably smart business by individuals that realise that, with the government in play and less water available in trade, reliability of that general security water is not going to be what it was. They are just trying to shore up their business, and the carryover is the tool that they are using to do that.

**Senator McKENZIE:** You also said, Mr Barlow, in your submission that you had no faith in the Constraints Management Strategy. Would you like to flesh out for the committee why?

**Mr Barlow:** Yes, Senator McKenzie. I have attended several constraints committee meetings in Deniliquin, Mathoura being our local area, and I must state as I did previously that our farming land, our pump site and all our members are situated on high ground. We have to pump over a natural fault line which is called the Cadell Tilt, which is approximately 40 metres high in elevation, straight up, which actually caused the redirection of the Murray River to where it is today.

**Senator McKENZIE:** Fun fact for the day!

**Mr Barlow:** It was long before European settlement and possibly before even the Indigenous settlement.

**Mr Schultz:** I remember it well!

**Mr Barlow:** You might ask and wonder why I bother to attend a constraints committee meeting when none of our members will be affected. It gets back to a community side of things. Some of our members do have areas in other irrigation bodies that may be affected.

**Senator McKENZIE:** But why don't you have faith in it?

**Mr Barlow:** It is the fact that we keep hearing the same people put forward the same arguments, such as Louise Burge and Neil Eagle and John Lolicato, who have previously spoken here today, and the same information, the same maps, the same photos—all that information is presented quite clearly and concisely, and you leave that meeting thinking, 'Well, finally we're getting somewhere,' and then six months later we are asked to go and present it all again.

**Senator McKENZIE:** This is not the first Senate inquiry looking at the Murray-Darling Basin Plan. There are people in this room who have been before the committee I sat on previously, where, again, we looked at the same maps; we talked about the Barmah Choke; we talked about all of these issues. It does make you wonder why.

**Mr Barlow:** The Barmah Choke is an interesting one because our extraction point is below that, so we are quite familiar with the area and the constraints that it has. I do not know if you would like me to talk about that or whether someone else is going to question me on that one, but the higher velocities and the higher levels that Environment are pushing in this river—and it is stated that that is their intention: to prolong floods, to work on the back of natural events—have caused destabilisation of the bank, trees to fall in and sedimentation. Therefore the choke is getting more clogged, and it is getting shallower with the sedimentation.

**Senator McKENZIE:** Environmentally degraded, one could argue.

**Mr Barlow:** That is right. Yet the Office of Environment and Heritage have stated that their environmental flows have had no impact at all on the choke. Yet, at the same time, they turn around and say, 'We want higher velocities and higher levels.'

**Senator McKENZIE:** We look forward to asking them those direct questions.

**Senator MADIGAN:** Gentlemen, as you know, we have heard a lot of information here today and, as Senator McKenzie alluded to, there have been several other inquiries over a number of years. In recent times we have heard a lot about free trade agreements and the potential benefit to our dairy farmers and for Australian agriculture. Are we going to be able to take advantage of the potential benefits from these free trade agreements that have been mooted—if and when they arise—if government of today does not listen and if we do not take stock, admit where we have got it wrong and repair the damage?

**Mr Duncan:** There will be a game loss, and the other side of that, particularly with the GMIDs, is that the federal government is about to throw in another \$900 million at the second part of the food bowl. So why would you silver-plate or gold-plate the system and then take all the productive capacity away from it? It is crazy. Can I just touch just briefly on the constraints? I want to go back to one thing. It is not hard. If anybody is going to disagree with the constraints thing, I have heard figures on what the EDNTs are going to cost through the Goulburn river. It is phenomenal, and you are going to have land taken out of use. But the simplest way to explain the constraints mechanism is to get in a light plane at the top of Dartmouth, fly over Hume and realise that those

lakes in South Australia were probably caused by a flood 30,000 years ago that had water coming in from every tributary at its maximum rate. That is how they were formed. Unless you want to do that now and take all the inhabitants away from there and take development away, it is crazy. Why don't we wipe out the foreshore of Sydney and put marshes back in? It is the same argument. It is crazy.

**CHAIR:** Thank you gentlemen. Your attendance and your evidence here is very much appreciated.

**Mr Duncan:** Thank you, and your ears are too.

**WALSH, The Hon. Peter, MLA, Member for Murray Plains, Victoria**

[16:33]

**CHAIR:** I now welcome the Hon. Peter Walsh MLA, member for Murray Plains, Victoria. Do you have any comments to make on the capacity in which you appear today?

**Mr Walsh:** I am the leader of the Nationals in Victoria.

**CHAIR:** Thank you for appearing before the committee today. Would you like to make a brief opening statement?

**Mr Walsh:** I would. Thank you, senators, for allowing me the time to come along and present. You obviously have my submission with you. The opening comments I would like to make would be around the fact that a lot of the problems that we have now and that you are being presented with through this inquiry predate the actual signing of a basin plan. The key things I would like to focus on would be the 2004 COAG decision to unbundle land and water, which has led to a lot of the challenges and problems that we have now, and the subsequent changes to the Victorian Water Act in 2005 to implement that from a Victorian point of view. I think that led to the fact that when there was \$10 billion made available from the Commonwealth government to do what they wanted to do in the basin, the Commonwealth department, as I would like to put it, was probably intoxicated on the power of their chequebook to go into the water market and buy water.

A lot of the challenges that we are seeing now come from the indiscriminate buying of water. There is a huge legacy issue. We are left with what is called stranded assets. It has been talked about for a long time. There is the Swiss cheese effect, where individual farmers have sold water and neighbours still have water, which means you still need a delivery system to deliver to the farmers who still have water. Those who do not are left with fixed charges to Goulburn-Murray Water.

I do not know if you have heard about that in any of the submissions, but it was a big issue in the last drought and I think it is a huge social and economic issue looming with this drought, particularly with the price of temporary water now. A lot of farmers have significant water bills because of that purchase of permanent water from the Commonwealth. They now face those water bills but do not have water to make an income and cannot afford to buy temporary water to do that. So that buying of water by the Commonwealth has effectively undermined the viability of Goulburn-Murray Water in the longer term because of the issues I have just described, and also in the irrigation district of the Lower Murray. Similar things have happened in the Sunraysia area as well. So there are some challenges there that I do not believe people, particularly the policymakers, thought about enough when they unbundled land and water and when the Commonwealth went in to spend money buying water before there was a plan signed.

I think you have had a number of people present about water traders. One of the things that I pushed for when I was minister, unsuccessfully, was that I felt water traders should be licensed, similar to real estate agents, where there are trust funds held. Touch wood, there has been no major water trader who broke where people have lost their money, as has happened in the grain-trading industry, but unless water traders are licensed and there are trust funds held for that money I think there is a risk that sometime in the future someone will go broke and people will be left without their money. If they are licensed, similar to real estate agents, they will not be able to take commissions on both sides of the transaction. I understand the licensing of real estate agents means they can only take a commission as a seller's agent or as a buyer's agent. They cannot take commissions on both sides of the transaction, which can happen at the moment with water traders.

One of the key things in the submission I put in is implementing recommendation 15 of the review of the Commonwealth Water Act to enable the Commonwealth to trade temporary allocations and use that money for environmental works rather than having to buy back water. The fact that the Commonwealth would have an asset worth something like \$3 billion in the water it owns and continually has to go to Treasury to get more money I think is ultimately unsustainable. There is opportunity there for that water to be traded into productive use. That money can be used for improving environmental assets in the future.

The other issue is the balance in the plan between the socioeconomic and the environment. Because the Commonwealth used the external treaties powers to have a Commonwealth Water Act, the Ramsar definition in Australia has missed the point. The Ramsar convention was very much about protecting wetlands for migratory birds but also about protecting the communities that rely on those wetlands as well. I think the environment departments in Australia have interpreted that Ramsar treaty to the extreme, where the environment seems to mean the exclusion of people and communities rather than the inclusion of people and communities as part of the environmental management of those wetlands.

Because of the way the Commonwealth Water Act was written, as I understand it, using those external treaties powers, there is a weighting to the environment in the way it is worded. As I understand it, that was used to head off any potential constitutional challenge from the states or from some other person. In the recommendations that you are making as part of your report, I would like to think that the world has probably moved on from any constitutional challenge to the Commonwealth Water Act. There is the opportunity to make some recommendations about putting more balance back into the principles in the Water Act in the future.

Again, there has been quite a bit of talk about the constraints management. To my mind, until the Commonwealth accepts liability for whatever happens with environmental water and indemnifies the states and/or the water authorities that manage that water on the Commonwealth's behalf, you will have this constant argy-bargy about what is going to happen and what is not going to happen. People will be poring over maps till the cows come home and there will be no conclusion. Again this is an argument that I lost at the ministerial table, but in my view, until it is clear that the Commonwealth is liable for any private damage from the water released and indemnifies whoever does that, we will have this eternal debate going round. I think that will focus everyone's minds very quickly on how you actually manage this water. One of the things that we did during the Basin Plan—because we were concerned by the modelling that the Commonwealth had done about the environmental outcomes they could achieve—was get the raw data and pay SKM to remodel it for us. There is a view that you can create a man-made flood and achieve environmental outcomes. This is nigh on impossible. I think the sooner that is realised the better, which is why you are looking at projects like the Hattah Lakes and those sorts of projects where you can use engineering solutions to achieve an environmental outcome for some parts of the river. No doubt you have had presentations about them. One of the challenges with the Hattah Lakes project was, because it was not a whole-of-reach solution, under the Commonwealth scoring mechanism they scored it very, very low. We had a huge battle to change the scoring mechanism so those projects would rate into the future.

The last thing I would like to touch on is that, in any recommendations you make, and whatever happens with the plan in the future, I think you need to make sure that there is apportionment between the states for water contribution to whatever it may be in the future. One of the concerns, from a Victorian—and I play on the Victorian team and am unashamed about that—was not to see Victoria disadvantaged compared to other states because we had higher reliability water entitlements that the Commonwealth seemed to desire more than, for argument's sake, New South Wales general security water. So, in whatever water is left to be recovered for whatever the Basin Plan may look like in the future, it should be apportioned between states so that one particular state is not disadvantaged more than any other states.

**Senator DAY:** You may have heard evidence earlier about the Snowy and how water was diverted away from the basin. In your opinion, is it practical to consider reversing that decision with some, or even all, of the water back to the basin?

**Mr Walsh:** It was originally Snowy water that was diverted to the basin, if you go back in history. Mr Eagle was exactly right: the one per cent story that had a lot of popular media at the time was just in the short reach from the Jindabyne Dam wall down to Dalgety, I think it is. Once you actually got to the mouth, my understanding was that 54 per cent of the original flow was still going out to sea. So there was a lot of good use of the popular press at that time to run the story on the Snowy. If you want to make a recommendation to do that, it would be very brave.

**Senator DAY:** Would you support such a recommendation?

**Mr Walsh:** That is a good question. If you are looking at balance, you would need to go back and do the numbers: has more water gone back to the Snowy, proportionately, than is wanted to be retrieved for the Murray? If that was the case, yes, you would support some balancing of that.

**Senator MADIGAN:** Mr Walsh, earlier you were talking about licensing water brokers. Some people may suggest it is licensed theft, but how is licensing going to address the concerns of people here about water brokers and water speculators—people who have no skin in the game, so to speak—manipulating the price of water?

**Mr Walsh:** If you license them in a similar way to real estate agents there are some very strict rules around quoting and how real estate agents operate when they make land transactions—they cannot get involved in the negotiations and cannot put in false valuations. There are penalties for that. It is how you have some form of regulation that makes the market more transparent. My major concern has always been about the amount of dollars that are involved. We have had this issue in the grains industry since it has been deregulated. At times, there have been quite a few grain traders go bankrupt, which leaves the farmers who sell them grain out of pocket. At some stage in the future there is the risk of a water trader going insolvent and someone being left out of pocket for a substantial amount of money. And there is the issue around taking commissions both sides of the trade. A real estate agent can only deal on behalf of a seller or buyer; it cannot be both.

**CHAIR:** Mr Walsh, this idea of the water market and how to make the water market work is of some interest to me, and is potentially an area this committee could be quite constructive around. The ability to only act on behalf of a buyer or a seller is one way to do it. The other way to do it is to prohibit trading as a principal, unless you happen to be a water owner, seller or buyer, and only users can be buyers. What do you think of that idea?

**Mr Walsh:** My understanding is that the Commonwealth would probably need to create an exemption to competition policy for that to happen. If the Commonwealth chose to do that, that would not be a bad thing, but at the moment, as I understand it, because of competition policy, everyone has to be treated equally in the market. If you are going to have rules for certain categories of the market, you run the risk of someone taking you to task over competition policy. If one of your recommendations were to be that you needed to have some positive discrimination, I would look forward to reading that.

**CHAIR:** Another way to do it would be just to have a transparent system as much as possible—something like a stock exchange type of arrangement. The question then becomes: how liquid would the market be without intermediaries? Do you have any feel for what sort of turnover—and I mean volume but I mean in trades—you would need? You would need enough buyers and enough sellers to make a market active. One of the criticisms of the Newcastle stock exchange is that it is so illiquid that you do not actually know that the value of stocks listed on that exchange are properly valued. How would you avoid that problem? Do you think there are enough buyers and sellers in the water market to make an active market?

**Mr Walsh:** I assume you are not making a pun, talking about a liquid market for water!

**CHAIR:** You can assume that. It is too late in the day for me to be punning.

**Mr Walsh:** It is a long day and I do appreciate being here. As to the market, because the supply of water relies on seasonal conditions, the amount of water available in any one year is going to change substantially, which is what we are seeing this year with a shorter supply of water and obviously the higher price that comes with that. It has always amazed me that, with CommSec or E\*TRADE or whatever, you can effectively trade shares on your laptop or iPhone or whatever, whereas the amount of paperwork and the complication of trading water is a lot more. It could no doubt be freed up. There are some issues around intervalley accounts and that sort of stuff, because the southern connected basin is not connected, even though it says that. Everyone is very concerned about the high price of temporary water at the moment. I do not think that changes to the water trading rules would necessarily make a huge impact on the price at the moment, because it is an issue of supply and demand.

**CHAIR:** That is my impression, too: that those people who think that removing some of the intermediaries from the market would alter the price of water materially might be mistaken on that. What do you think?

**Mr Walsh:** My understanding is that less than four per cent of the total water entitlements in the southern basin is owned by corporations and superannuation funds, so it is not a large percentage of the water at this stage. There is always—

**Senator McKENZIE:** Isn't there a potential future risk, though?

**Mr Walsh:** There is a potential future risk, but, again, if you were making investments, would you buy water at \$3,000 a megalitre if you were going to sell it temporarily at \$50 a megalitre? It is not a very good return on investment.

**CHAIR:** Indeed. If the market is not very liquid—no puns today—then having intermediaries helps make the market more liquid. That is what happens in options trading on a quite lot of derivative markets, for example. The traders are what makes the market.

**Mr Walsh:** There is some money won and lost in those markets.

**CHAIR:** Indeed.

**Mr Walsh:** They are not for the faint hearted.

**CHAIR:** No, and you would think that those trading in water might lose some money at times, as well as making it, wouldn't you?

**Mr Walsh:** Yes.

**CHAIR:** So, if you were in our shoes, what recommendations would you make about the water trading market?

**Mr Walsh:** I have outlined those in what I said. It was not in my submission—

**CHAIR:** So real estate type—



**Mr Walsh:** but I think they need to be licensed in some format. The obvious one to me is similar to real estate agents, who are very regulated with trust accounts to manage the money and they are audited and held accountable to those; and this issue around the transparency of only being able to act for a buyer or a seller.

**CHAIR:** Yes. Stockbrokers can act for both buyers and sellers but they have settlement within three days these days, I think. That does not get around this issue that you raised of the grain traders going broke and leaving the farmers out of pocket.

**Mr Walsh:** That is the experience that, as a local member, I hear quite often—the number of grain traders that have gone bankrupt and people who—

**CHAIR:** Yes, but they do not have settlement in three days.

**Mr Walsh:** No, they do not.

**Senator McKENZIE:** Thank you very much, Mr Walsh, for your evidence and for being here today. In your submission, you go to a lack of community consultation. We have heard in evidence today a lot about Indigenous community having input, about government, state and federal, and even local government agencies, having input but a lack of dedicated landholder engagement and that local knowledge. Do you have any comment to make?

**Mr Walsh:** Are you talking about the constraints management in particular?

**Senator McKENZIE:** There was a variety of state consultation processes and federal government processes.

**Mr Walsh:** There was, but in my submission I was particularly talking about constraints management.

**Senator McKENZIE:** But given your experience in this area, I would also appreciate a wider view outside of constraints.

**Mr Walsh:** Can we start with the constraints management?

**Senator McKENZIE:** Yes.

**Mr Walsh:** Because of the time frames, particularly in Victoria because of a change of government, there was very little done for probably six to eight months and then, all of a sudden, I met with the catchment management authority at their invitation—they are charged to do this work on behalf of the Commonwealth—because they were going out to do some community consultation. To my mind, consultation is about going out and putting options on the table about what is going to be potentially done and getting feedback on those options, not going out for a general discussion.

**Senator McKENZIE:** A tick and flick, as we heard this morning.

**Mr Walsh:** That is a good summation of it, yes. Unless there are some firm options for people to make comments on, it is almost a Clayton's consultation. I think people are sick of meetings for a general chat and the 'maybes' rather than having something specific to actually talk about. The questions that I asked the CMA when I met with them were about how they were going to have some rules about releases—and this was for the Goulburn, particularly the upper Goulburn; releases when watching the weather forecast in the future; tributary flows; and all those sorts of things. They just looked at me blankly. Until all that sort of stuff is modelled, how can you have meaningful consultation with the community about the potential impacts of environmental releases?

**Senator McKENZIE:** Given that blank look from the body charged with developing this strategy, what sort of confidence do you have about the strategy being completed on time and in a manner which community and industry can have confidence that it will deliver on the outcomes it is meant to?

**Mr Walsh:** I suppose there are some set dates within the Basin Plan. Unfortunately, I do not think the work will be done when those trigger dates come about. I go back to what I said in my introductory remarks: the whole thing is an orphan at the moment. Until someone is ultimately liable and indemnifies the other players in the game, no-one will take responsibility for this. To my mind, it is Commonwealth water, it is a Commonwealth Basin Plan and it is the Commonwealth that wants that water put down the river to achieve whatever environmental outcomes they are aspiring to, and they need to be liable for whatever damage it might cause if they do it.

**Senator McKENZIE:** You made some comments in your opening remarks that the whole basis for the Water Act was around the Ramsar convention signing. My understanding of the Ramsar convention is similar to yours, that it was a wetlands convention that also had to recognise cultural, economic, scientific and recreational use of that land as well as the environmental aspects. How did Australia get it so wrong in its interpretation?

**Mr Walsh:** I was not part of the Commonwealth government that made those decisions, but my understanding would be that they were looking for a mechanism to have a Commonwealth Water Act. The view was that supposedly the states had made such a mess of managing water over time that only the Commonwealth could

solve it. I think with the Basin Plan we do not necessarily think the font of all wisdom rests with the Commonwealth anymore.

**Senator McKENZIE:** As a federalist, neither do I.

**Mr Walsh:** So I suppose, as I understand it, it was a mechanism that was available to the Commonwealth to have an act, as I said, that had a legal defence about a constitutional challenge to the Commonwealth entering into state jurisdictional rights.

**Senator McKENZIE:** So your recommendation is that the Water Act be amended?

**Mr Walsh:** Yes, it is. For the exact wording, you obviously would need parliamentary counsel to do that.

**Senator McKENZIE:** As someone very experienced, that enshrines the triple bottom line.

**Mr Walsh:** It does. It is almost in the nuances, but as you read it and as you read the priority of words—because it has used those international conventions to write the act—there is a precedent in it to the environment. Obviously a government department that is then interpreting the act and implementing the act will literally interpret it as it is.

**Senator McKENZIE:** So it is not a culture within the department itself?

**Mr Walsh:** Do not start me on that.

**Senator McKENZIE:** I want to start you on that.

**Mr Walsh:** I think there is a huge culture to that.

**CHAIR:** There is an assumption that the Commonwealth does not have a head of power without Ramsar, though. It is not just the government that could mount a High Court challenge, is it? It could be anybody.

**Mr Walsh:** I know, but do two wrongs make a right?

**CHAIR:** Indeed. But, if that legal viewpoint—that without the Ramsar convention the Commonwealth does not have a head of power—

**Senator McKENZIE:** It has used the external power, yes.

**Mr Walsh:** Yes, but it depends on how you effectively interpret Ramsar. This is what Senator McKenzie has probably put more eloquently than I have. My understanding of Ramsar is that, when it was originally signed in Iran, it was about protecting wetlands for migratory birds, but it was also very much about the communities that rely on those wetlands and their traditional uses of those wetlands being protected as well. My cynical view of the world would be that the environmental departments here in Australia took it that one step further, effectively taking it totally for the environment to the exclusion of those communities and the people. I am sure there is someone within parliamentary counsel and the Commonwealth parliament who can think of better words to put in the act. It was passed in 2007; it is now coming up for 10 years, probably, since it was first written. Surely there is some way of rewriting it that puts more balance into it.

**Senator McKENZIE:** Today we have heard a lot about water going to the highest value crop, which I guess fundamentally misunderstands farming communities and long-term planning. Did you have any comment, particularly around the CEWH and the inflexibility that is currently built into the system to allow rural communities such as this one to do what they do and be sustainable?

**Mr Walsh:** Are you talking about CEWH water or just water in general?

**Senator McKENZIE:** CEWH water and the inflexibility of how we use it.

**Mr Walsh:** I suppose it comes back to my submission, and I think others as well, around this recommendation 15 of the review of the Water Act to change that clause so that, if the CEWH sells water, it can actually invest that money in environmental works rather than having to buy water back.

**Senator McKENZIE:** I think it was Mr Duncan who made the comments about how Victorian irrigation communities have grown and developed over using dairy and horticulture, as opposed to maybe New South Wales irrigation communities, with rice, cotton, wheat et cetera.

**Mr Walsh:** If someone has the power to determine that that water went to dairy instead of almonds or instead of olives or to table grapes or to beef production, I do not think I would like to be the person with that power. You make one group of people very happy, but you make a lot of other people very unhappy. With the unbundling of land and water with that COAG decision that I spoke of, there is a market mechanism there. Governments historically, on whatever issues, are not necessarily good at interfering in markets. There are usually unforeseen consequences, which is the issue around the Commonwealth buying water out of the two irrigation districts here in Victoria: there are a lot of unforeseen consequences. When that was done, a lot of people talked about the issue

of stranded assets, communities being disadvantaged and stuff. No-one really wanted to take much notice of it. It was more, 'Well, they will rely on the temporary market,' and we now know what that means, and it is not pretty.

**Senator McKENZIE:** No. Thank you, I have no further questions.

**CHAIR:** I do. Do you think, Mr Walsh, there should be changes to the carryover rules to increase supply in the temporary water market?

**Senator McKENZIE:** That is a good question.

**Mr Walsh:** I think if you asked that question of 10 people you would get 10 different answers. Carryover rules, as I recall, were brought in predating the plan and, as Mr Duncan said, predating the North-South Pipeline. It was particularly for the horticultural growers who did not have a low-security water entitlement, particularly downstream of Swan Hill. Once they bought temporary water that was expensive in a dry year, if they did not use it all, they wanted the option to carry that water forward. It first started, from memory, at 30 per cent carryover and then moved to 50 per cent carryover. There was a situation, particularly in Sunraysia, where the water price spiked to about \$1,000 a megalitre, and they had some of that water to carry over. The water allocation the next year was above their carryover threshold and so they lost some of that very expensive water, so there were a lot of very angry people in Sunraysia. When I became the minister, there was unlimited carryover and you did not actually have to have a water entitlement to carry over water. Through a review process, we changed the rules so that only those who owned water entitlement could carry over water equal to their water entitlement. That particularly upset a lot of the people that did not own water entitlement and had large carryover in the dams.

**Senator McKENZIE:** Could you just give us an example of who those people might have been.

**Mr Walsh:** Usually the large MIS horticultural developments, without naming them specifically.

**CHAIR:** No, do not.

**Senator McKENZIE:** No. Give us a picture.

**Mr Walsh:** My phone ran hot around those particular issues, but I felt, given that it is the people who own entitlements that pay the bills for the water authority, it should be those that actually have the right to carry over water.

**CHAIR:** Getting on to the Constraints Management Strategy, we have received submissions that the Murray-Darling Basin Ministerial Council was advised that there was community acceptance of the early stages of the Constraints Management Strategy. The Murray-Darling Basin Ministerial Council then approved further work on the strategy. Do you have any knowledge of whether the Murray-Darling Basin Ministerial Council was led to believe last year that there was community acceptance of the early stages of the Constraints Management Strategy?

**Mr Walsh:** There was not while I was there.

**CHAIR:** Not while you were there?

**Mr Walsh:** Not while I was there. That was the very issue that we just talked about with Senator McKenzie: that the feedback I got from people here in Victoria was that there had not been meaningful consultation and that there was nothing real put out for people to actually talk about. It was very, very conceptual at the high level, and again the question that I kept raising was the ultimate issue of who is liable when something goes wrong.

**CHAIR:** The question was relating to the Murray-Darling Basin Ministerial Council. Were you told that there was community acceptance?

**Mr Walsh:** I do not think it was in those explicit words; no, I do not believe so. Ministerial council meetings were a strange beast, because you would get a one-sided view from the Canberra bureaucracy, which was not necessarily the view that you could road-test on the ground out in the states.

**Senator McKENZIE:** And the level of experience within the water issue itself around the ministerial council would be quite varied?

**Mr Walsh:** And ministers change rather quickly. So I went from, in my first meeting, being the newest boy on the block and within two years I was the oldest boy on the block. So it does change quickly, but the bureaucracy goes on, and so for what they cannot get up with one group of people—without too much disrespect to the bureaucracy—they are good at being patient and waiting until they have a more friendly audience to put the issue up that they could not get up previously.

**CHAIR:** Don't we know that one, Senator McKenzie?

**Senator McKENZIE:** Yes, we are on the same page there, Senator Leyonhjelm.

**CHAIR:** Mr Walsh, if the Constraints Management Strategy is not accepted and easements are not voluntarily agreed to, is it likely that the MDBA will be able to achieve 2,750 gigalitres of environmental flows without causing adverse impacts on landholders?

**Mr Walsh:** There are a couple of mixed metaphors in your question.

**CHAIR:** So, if the strategy is not accepted and easements are not voluntarily agreed to—which would be part of the strategy—

**Mr Walsh:** And the Commonwealth have said they will not forcibly—

**CHAIR:** Yes, that is right. Would it be possible for the MDBA to achieve 2,750 gigalitres of environmental flows as required by the plan, unless there are adverse impacts on landholders?

**Mr Walsh:** Just to slightly change that: the achieving of the ownership of 2,750 gigalitres of water is different to the usage of it. Yes, they may be able to achieve the ownership of that water—the plan is actually written around environmental outcomes of that amount of water, not the physical ownership of that water, which is why the sustainable diversion offset projects are being evaluated at the moment. The issue will be whether they can actually get that water down the river, and I think they will have some real challenges with that.

**CHAIR:** That is where I was going with this.

**Mr Walsh:** So, no, I do not necessarily believe that they could use that water constructively. If I can go back to a previous answer: one of the things that we modelled was the flood event they wanted to create at Lindsay Island, which is west of Mildura. To get sufficient water there to achieve the environmental outcomes they wanted, I think they were talking about a 120,000-megalitres-a-day river to do that. You had to get water out of the Goulburn, the Murray, the Bidgee and the Darling and effectively to get all of it get there at the same time—nigh on impossible mathematically—and you would cause huge consequences for communities on the way through in doing that, which is why we put forward the concept that with some engineering works you could achieve those floods with a normal river. That is the sort of thing we need to be exploring more, because no-one is going to pull the plug out of Eildon or out of the Hume and just surge water down the river to achieve a big flood. Yes, you will have them in extreme rain events, but there are a lot of consequences for the communities that are in the way of that.

**CHAIR:** Mr Walsh, why did you write to the Victorian Ombudsman in February 2011 requesting he investigate the Foodbowl Modernisation Project?

**Mr Walsh:** Because I wanted it investigated, obviously. The first stage of the Foodbowl Modernisation Project was funded by the Victorian government—effectively \$1 billion: \$300 million from the Melbourne water businesses, and in return they were going to get 75 gigalitres of savings to go down the North-South Pipeline; \$600 million from the Victorian taxpayer; and \$100 million that was going to have to be paid for by Goulburn-Murray Water customers. The start of that is what we have now, the Connections program, which we all know is still very challenging and there are constant reviews of that particular project.

From memory, I think the Ombudsman found there was a strong view that there were some people who were taking advantage of that particular project. To my mind what is now called the Connections Project is probably one of the most complex capital projects in Australia that you could ever envisage—not so much the price compared to other projects—\$2 billion, so the magnitude of the dollar figure is probably not as great—but the complexity. Look at the number of customers that Goulburn-Murray Water has and the complexity of how you actually modernise it while they stay connected to the system, and then you overlay that with where the Commonwealth has actually bought water out of the system; it is a very complex project. Effectively, NVIRP, as it was known then, was given a cheque for \$1 billion and told to go and find some savings. There was no structure to it. The board went and recruited a CEO, who then went and recruited some staff. That is the arse-about way to spend \$1 billion. You actually need the plan before you have the money, rather than get the money and then develop a plan. And there were concerns that people had been taking advantage of that project.

**CHAIR:** What was the outcome of you requesting the ombudsman to look at that?

**Mr Walsh:** Our Victorian Ombudsman has the power to do what is called an 'own motion' investigation, which he did. The report is there to be read. There were some people found to have taken advantage of the system.

**CHAIR:** There was, yes. I do not know where that ended up. Did that result in prosecutions or anything?

**Mr Walsh:** No.

**CHAIR:** It didn't?

**Mr Walsh:** No.

**CHAIR:** So it was just findings and it stayed at that?

**Mr Walsh:** Yes, it was just findings. From my point of view as the minister, some of the departmental staff who were involved in that left the department—although they have resurfaced since the change of government, which I find very concerning.

**CHAIR:** Right.

**Mr Walsh:** It goes back to the bureaucracy being patient—they outlive ministers.

**CHAIR:** Yes. The extra 450 gigalitres that got tacked onto the end of the Basin Plan: how and why did that occur? What was the origin of that?

**Mr Walsh:** My understanding was that it was a special deal between Tony Burke as the minister and South Australia, which would have been Paul Caica at the time, I suppose, to get South Australia to sign up to it. You have received, as I understand it, a lot of submissions and comments about a pause to the Basin Plan. To my mind, if you wanted to pause something you could probably delete that whole section of it. I really, genuinely—

**Senator McKENZIE:** There is no science behind it.

**Mr Walsh:** No. It was a deal.

**Senator McKENZIE:** Right.

**Mr Walsh:** If you go back in history, to the environmental movement, the Wentworth group and those people—

**Senator McKENZIE:** Sarah Hanson-Young.

**Mr Walsh:** Sarah Hanson-Young, yes. They wanted 6,000 gigs, they wanted 4,000 gigs; 2,750 was a number that was landed at. With the sustainable diversion offsets projects that we had written into the plan, there was the capacity to reduce to about 2,100 of actual physical water. Then, at the last minute, there was a deal done with South Australia around that up-water. If we can ultimately get to what the original intent was, with 2,750 of environmental outcomes—not necessarily owned water—I think that would be an outstanding achievement, given all the challenges we have. To then tack it on—if you actually read that part of the amendments to the Water Act that went through to achieve that, they talk about that 450 being achieved with 'no socioeconomic disadvantage to communities' or some such words.

Again, to my mind, if that is left in and you wanted to make some recommendations around that, it should never be allowed to be purchased out of the market. The concept that was talked about at the time by Tony Burke was around works and measures. But I think you will find that to achieve the original target is going to be challenging enough with works and measures, without the extra on top of it. So if you wanted to make a recommendation to delete that clause I would be very happy with that.

**CHAIR:** Okay.

*Member of the audience interjecting—*

**Mr Walsh:** I am happy to comment on the interjection, if that is all right?

**CHAIR:** If you like, yes. It is your choice.

**Mr Walsh:** You said, 'All the states signed up to that.' Yes, we did sign up to it. The situation that I faced as a minister was having the Commonwealth cheque book in Victoria, buying water. Once we signed the Basin Plan the Commonwealth has not bought any water out of Victoria, and is not likely to buy any water out of Victoria in the foreseeable future. We could have sat there and complained, and said, 'No' until the cows came home and the Commonwealth would have just kept buying water, and that is not a good thing for Victorian irrigators.

**Senator DAY:** The federal member for Murray, Sharman Stone, made a submission about the Northern Victorian Irrigation Renewal Project—

**CHAIR:** That was NVIRP—

**Senator DAY:** NVIRP, yes—that was the one. Given the amount of federal funding, do you want to explore a little more about how that could have been different? You covered most of it there. In particular, Dr Stone was very critical of that project. Have you read her submission? Do you generally agree with what her submission—

**Mr Walsh:** No, I have not read her submission.

**Senator DAY:** All right—well, you cannot comment on it then. Fair enough, thank you.

**Senator MADIGAN:** Earlier, when we were speaking about there being a lot of concern about who actually owns the water because of the lack of transparency, I recall you mentioning a figure of four per cent. Could you clarify who you attribute that four per cent to?

**Mr Walsh:** With the way that the water market has been in the last month or so I actually rang one of the major water traders to get his sense of where the supply and demand was in the market and what was happening. His comment to me, which I have reality-checked with some of the water bureaucrats, was that only about four per cent of it is owned by super funds and 'water barons'.

**Senator MADIGAN:** So how accurate do you think that four per cent figure is?

**Mr Walsh:** I think you will find that those guys know what is going on because that is how they make their living.

**Senator MADIGAN:** Why isn't that four per cent figure available to irrigators? We have had irrigators here, and they are not able to put a figure on it, yet they are the people with 'skin in the game'.

**Mr Walsh:** From Victoria's point of view, there is a water register that is online.

**Senator MADIGAN:** That is for Victoria. There is no national register?

**Mr Walsh:** I can only speak as a Victorian. If you guys wanted to recommend that there be a national water register or a southern-connected basin water register, I would have no problems with that.

**Senator MADIGAN:** You spoke earlier about having water brokers licensed. What do you imagine would be the fee for that, and how much would that end up costing farmers and irrigators? Ultimately, it would be passed on to them, wouldn't it?

**Mr Walsh:** The defence from those who do not want to do it has always been that there should be a voluntary code of conduct for water traders. To my mind, ultimately, voluntary codes of conduct are worth about as much as the paper they are written on. They are voluntary, and that is it. Unfortunately, in our society, if you want to have police who enforce the laws of the land, it costs money. If you want to have regulators, they cost money. Yes, it would add some cost to the system, but is the alternative a laissez faire system? You cannot have it both ways.

**Senator MADIGAN:** Are you aware of any water brokers or traders who have gone broke to date?

**Mr Walsh:** No, I am not. Look at other markets such as the grain market. A substantial part of my electorate is involved in grain growing, and there have been some huge losses by grain growers when a particular grain trader has gone broke.

**Senator McKENZIE:** Do you have a view about governments, in particular, using assets such as desalination plants to provide potable water for critical human need as opposed to their ability to purchase water out of systems such as here locally?

**Mr Walsh:** You are particularly talking about South Australia, I assume?

**Senator McKENZIE:** Yes, but potentially Melbourne.

**Mr Walsh:** The particular issue with South Australia was, as I understand it, the Commonwealth put \$300 million into their desal plant to take the pressure of the Murray. Their buying water out of the Murray is an absolute insult to the people here. In my view, the Commonwealth should be heavying them, saying—

**Senator McKENZIE:** Aside from the Commonwealth heavying them, what sort of mechanism do you think the Commonwealth could implement, or we could recommend, to actually ensure that that cannot happen?

**Mr Walsh:** You could give Victoria and New South Wales an exemption from competition policy to exclude SA Water from the market. It is pretty simple.

**CHAIR:** Thank you, Mr Walsh. It is very much appreciated. Did you just have to walk across the street?

**Mr Walsh:** No, I was actually in Warracknabeal this morning with Senator Joyce talking to—

**Senator McKENZIE:** He is Minister Joyce. He is no longer a senator.

**Mr Walsh:** That was a Freudian slip! Do not tell him I said that! I was with Minister Joyce talking to drought affected grain growers. But, yes, I parked behind my office and walked over.

**CHAIR:** Very good. Anyway, thank you for coming along, Mr Walsh.

For the others remaining in the room, Senator Madigan has spoken to a few of you who want to share your views with the committee. There are four or five people, are there? I have decided we will give those who wish to speak to the committee, and who have not already been heard today, a maximum of two minutes. I would emphasise a couple of things. If you have already heard the same advice given to the committee today then there is not much point in standing up and repeating it. If we have heard it already then repetition is not going to make much difference. As I have mentioned a couple of times today, the most important thing is personal experience—how has the implementation of the Murray-Darling Basin Plan affected you personally? If you choose to come up

and make a two-minute statement, you will need to sign a *Hansard* form. We will do that now, and then we will knock off.

**KNIGHT, Mr Alister Edward, Private capacity**

**OBERIN, Mr Donald, Private capacity**

**PATTISON, Mr Kenneth William (Ken), Private capacity**

**SNELSON, Mr Stephen Douglas, Chairman, Koyuga South Irrigators Group**

[17:19]

**CHAIR:** Welcome. Would you like to make your statements?

**Mr Knight:** Thank you for listening today. I am a young farmer from Boort in north central Victoria. We farm a mixed enterprise of sheep with wool and fat lambs as well as cropping. As mentioned today, a lot of this is about young farmers and the future of our industry, so I thought I had better jump up here and spruik on behalf of us. Water for us is important. We have a lot of land and we have future plans on how we want to develop and grow our agricultural business, and a lot of that is based around water. For that we need security, and we have a price mark on where we are profitable. Once temporary water goes over that, our business plans essentially crumble.

I am the youngest of three brothers. If water prices stay as they are, it will most likely be unviable for all three of us to stay on the farm, which would be a very similar situation for a lot of young farmers trying to enter into the industry. It is good to hear today big industries who have money can go out and put in infrastructure that can be water saving, but we are young, we have to start from scratch and we need to make that profit margin to start with so we can look down the track to increase our infrastructure. I did a submission; it is probably in there somewhere. For us to see environmental water just float down a river, in a year that has been dry like this one, is quite hard to see. The way I envisage it, it should more be held back and more science should be put into actually having simulations of water flowing down a river to simulate what it would be in a year like this year—not much rainfall. Therefore, science says—and I am a science student graduate from the University of Melbourne—for those flows to be going down the river—

**Senator McKENZIE:** Not majoring in environmental science?

**Mr Knight:** A little bit. I did some ecology back in the day. Anyway, I see we need to hold more water in storages so that we can essentially drought-proof ourselves—have five- to eight-year outlooks—and then water allocations can then be based on that. Thank you for your time.

**Mr Snelson:** I am an irrigator on the central Goulburn system at Tongala. I am very much unprepared. I did not know this meeting was on until I went to court this morning for another matter. I think I won that one, so hopefully I will win this one.

I appear today as the chairperson for our group, which is called the Koyuga South Irrigators Group. It was formed to address the so-called modernisation rules and practices on our community channels. It is interesting you have the words 'consultation' and 'modernisation' centred around the Goulburn-Murray Water authority. They have a different dictionary to most farmers. Their consultation is very limited. From what we have seen of it it is just their way. We had to form a community group, and we have done that. We have asked for numerous details as to how the connections people are governing the rules around the outcomes and the so-called modernisation. We were told by Mr Calleja that he was not there to fund any pipedreams.

We have three family groups on our system that have over 100 years of participation in irrigation. I have only been there 21 years. Our system has gone through all of the modernisation government programs—the farm plans. We have a system that was developed on a 70-megalitre system 100 years ago. The forefathers that Mr Eagle spoke about must have been more intelligent than the ones we have now, because that system still operates. I cannot give you the figures for the area. I have them for the figures, and they will not supply the figures of losses. They will not supply the area of irrigated area. We have developed all our farm plans. We have surrendered those plans to them, and we still cannot get any figures out of Goulburn-Murray Water or RPS, who are the connections company.

As I say, I did not prepare for this meeting very well and I apologise for that. But you wanted our personal experience. We have a number of young farmers, both in cropping and dairy, all doing their own on-farm development. If we do not toe the line in one year and one day, they can shut us down under the rule set up by the previous government, I am told. Whether that happens or not, I do not know; it might be an exaggeration, I hope. But that is the sort of level of negotiation we are faced with. From all the meetings I have had with Mr Calleja, Goulburn-Murray Water, RPS and the connections: unless we can get a change of rules that says you do not have to have a pump and you do not have to have a pipe to get savings on a system—our system has not seen an



excavator of any note, apart from patching up a leak, for 50 years, until I got on the committee. This week a 20-tonne excavator arrived right at the back door of my house and desalinated the channel. That's about where I am at.

**CHAIR:** Can I suggest that if you have any more to add you put in an additional submission.

**Mr Snelson:** I will. This was not happening when this all started.

**CHAIR:** Okay. You are over time and we are at the end of the day, so—

**Mr Snelson:** Can I just summarise what I would like to see you do?

**CHAIR:** You should have started with that.

**Mr Snelson:** I should have, too. Basically the reason I sat here today is: if the rules are not changed on how the savings are organised, then we cannot really modernise our system. The rules around how to get the outcomes to get water and pay for it are the big problem. Goulburn-Murray Water really cannot do much unless those rules are changed.

**Mr Pattison:** I am a candidate for tomorrow, and I was asked to speak briefly—

**CHAIR:** You are a candidate for tomorrow?

**Mr Pattison:** Yes, I am listed to speak at Shepparton tomorrow.

**Senator McKENZIE:** You are a witness tomorrow?

**Mr Pattison:** I am.

**CHAIR:** You do need to talk to us today.

**Mr Pattison:** I just wanted to clarify 'the community', because you were trying to get an answer for that. But you could ask me tomorrow.

**CHAIR:** We will talk to you then.

**Mr Obern:** I am a life member of the of the Murray Darling Association and a previous president. I have been the mayor of the city here for a few years. I look on with interest and I appreciate the independence of the panel. I am a practising farmer and irrigator and I have four or five pumps that come out of the Gunbower Creek. I live five yards from the rear bank of the Campaspe River in the city of Echuca.

We all have to solve: how did we get the situation that we are in so wrong? Perhaps we should go back before the Howard government lost power and ask: who was the minister for water prior to Howard losing government? I think he is now our Prime Minister. I was at a meeting with that good gentleman where he expounded his knowledge about water and how Sydney may be short of water and this and this and such and such. There were not many claps. There were about 1,300 people there. He sat down and, unfortunately, he sat beside me. I said, 'You made a balls-up out of that, son!' He said, 'I'm on a learning curve.' I said, 'These blokes who have come to listen to you were waiting for you to tell them how to grow rice without bloody water.' He said, 'I did stuff up, didn't I?' Now he is our current Prime Minister.

So how do we get it so wrong? They lost the election and Labor took the easy option. They looked at the Liberal party's water policy, and what did we get first? The environment.

With justification, I am sick of appeasing the environmentalists. All the environmentalists' concerns run down the river—the same water that the farmers use to produce food. There is no environmental requirement. It runs down the river to do two jobs at once. Take note of that comment. It serves the environment, and everyone wants to be an environmentalist, because it does not cost them anything but it sounds good at a social outing: 'I'm worried about the environment.' They cannot give you an example of what is worrying them, but you hear these fancy tales about the environment.

In practical terms, if you have no water—and I am a practising irrigator; I have a nice water right, but I had a better one—where has all the water gone? I sold one of my farms because I was in hospital and they were going to cut my right leg off above the knee, and the fellow came to me and said, 'How are you going to manage your farm when you come home?' I said I would not be able to. He asked, 'Have you thought of selling your farm?' I said, 'As a matter of fact, I am.' The sad thing is that we have had three or four farms, and my eldest son learnt to weld plastic pipe, and we put plastic pipe all around our farms. We did not get a government subsidy. At the time we were making a few dollars. But it was an enhancement that made watering a pleasure, and of course from then it has become more modern and has better technology. My eldest son passed on not long after this, but it left me the benefit of all his infrastructure.

So, to finish the story I started about the man trying to buy my farm, I said, 'Well, I have a fair good water right with it,' and he said, 'I'm not interested in the water.' It will make your hair stand on end, you fellows; it will concern you. This is what he said: 'I don't want the water; you can keep the water.' I said, 'Okay; I'll keep the

water,' and all of a sudden I had about 1,200 megalitres of water on a farm that needed only about 600 or 700. So I said, 'By God, this is a bit of a bloody problem,' but I had a destination. I had to put the water somewhere. You could not just have water without land—did you know that? So I abided by the rules, and somebody said that the government was trying to buy water. I said, 'That's interesting; who's selling it?' They said you could go to a stock agent or something—one of the blokes in the capacity of a real estate agent somewhere here. I said I would sell 500 megalitres. I am not in this to be public, but they are all behind me listening to what I am going to say: I sold them 500 megalitres of water. So, I am a water trader, aren't I? But I still left myself enough water to water my farm through four pumps coming out of the Gunbower Creek in a big plastic pipe—no shovels; their days are gone; you kill a snake with a bit of wire now, not a shovel.

Anyway, I got the benefit of that money; it was a nice little amount of money. I have done something else with it since, but I have still retained the farm. I milk 400 cows. Last year at the Corowa conference I asked the environment minister—who is the biggest water holder in Australia—how much he earned with his kilolitres of water. I said I had 800 and grossed just over \$1 million off my farm and asked, 'How did you get on with yours?' Pretty bloody embarrassing! But he had the fortitude to have a quick answer. He said, 'You can't value the environmental water', and I said, 'Of course you can't, because it doesn't bloody produce anything. So we all went home, and he went home quicker than most of us. But I still think he has his job, and I still have my farm. I am 86 years old, and I still have a bit of axe in myself, but I am not selling my farm. I love my farm. And I appreciate the comments of these young fellows who are trying to get a start. It is not easy, kids. I grew tomatoes with irrigation years ago, in 1949, and I supplied Corowa and Bendigo, four and six a case. It is one of these stories: a young knight up here—I went to school with his father. The younger generation of today, with a little bit of encouragement, if you can work out why the environment is all of a sudden more important than the human race and we sign a big trade agreement we cannot manufacture, then without water we cannot produce anything either, so the environment comes last in my book, not first. Thank you.

**CHAIR:** I am glad you saw the end there. I did not want to end what was the most entertaining discussion of the day. Thank you, everyone.

**Committee adjourned at 17:35**