

REPORT ON PROCEEDINGS BEFORE

**PORTFOLIO COMMITTEE NO. 5 – INDUSTRY AND
TRANSPORT**

WATER AUGMENTATION

At Tamworth on Tuesday, 16 May 2017

The Committee met at 8:27

PRESENT

The Hon. R. Brown (Chair)
The Hon. R. Colless
The Hon. P. Green
Mr. S. MacDonald
The Hon. P. Sharpe
The Hon. M. Veitch (Deputy Chair)

UNCORRECTED TRANSCRIPT

The CHAIR: Welcome to the sixth hearing of the Portfolio Committee No. 5—Industry and Transport inquiry into the augmentation of water supply for rural and regional New South Wales. This inquiry is examining water demand and supply, suitability of existing water storages, flood history, technologies to mitigate flood damage and water management practices including for environmental water. Before I commence I would like to acknowledge the Kamilaroi people who are the traditional custodians of this land. I also pay respects to the elders past and present of the Kamilaroi nation and extend that respect to other Aboriginal people present. Today we will hear from a local farmer, Mr Wayne Chaffey, the Peel Valley Water Users Association, the Namoi Councils Joint Organisation and will conclude with evidence from Namoi Water.

Before we commence I will make a couple of brief comments. When members of the press arrive the secretariat will give them the broadcasting guidelines. Witnesses should note that Committee members may have further questions that they were unable to ask during the hearing. The Committee will send witnesses those written questions on notice. Any answers to those written questions should be returned within 21 days. I remind everyone to put their mobile phones on silent.

WAYNE GRANT CHAFFEY, Irrigation Farmer, sworn and examined

The CHAIR: Before we proceed to questions I noticed, Mr Chaffey, you have put in a submission, submission No. 18?

Mr CHAFFEY: Yes.

The CHAIR: Would you like to make an opening statement?

Mr CHAFFEY: Yes, I will make an opening statement. My submission was mainly on the environmental socioeconomic ethics of the water sharing plan and the resulting loss or benefit. This has accumulated over the last 10 years. I am an unregulated river irrigator, which is long term. My grandfather was irrigating out of the same river 70 years ago under the Water Act 1912 but under the Water Act 2000 irrigators have lost; a lot of environmental things have been brought into being that otherwise did not exist. This has resulted in a loss of income and the decline of the whole valley as far as production and income for the producers. A lot of farms have now turned into hobby farms. The rich alluvium floodplain now produces grass—nothing.

That comment is not from just me; last year at the Federal election while waiting at the polling booth a person living up the valley who is a retired accountant—he lives on the side of the hill in a house—the first thing he said to me was: "Wayne, it's disgusting what the Government has done to you people." There is no irrigation production hardly. He sees it driving past and he has lived there for 40 years. He knows what was produced in the valley and what is produced now. We had a big talk about it and I said, "I'm not allowed to pump most of the time because of the water access rules—cease to pump", which didn't exist prior to 2007, which was brought in under the Water Management Act 2000. I said, "What future is there?" Farms come up for sale now; what future is there? They are bought up by someone but they are not going to be irrigation farms if you are not allowed to irrigate when you need to. I did have other points here to say but I don't know if I should go into them because some I've already mentioned.

The Department of Primary Industries [DPI] has recognised that there is a problem and has been reviewing it. This has been going for a couple of years because of mistakes they have made. They have had a time frame to do something about it. It was supposed to have been done already but it has not. Bureaucracy does not move real quick because too many people have a say in it, like Fisheries. It is a slow process. I think the damage has already been done. How can it be turned back around? A good start would be to reinstate the water access rules we had prior to 2007 when they started to dismantle them under the old water sharing Water Management Act to like it was under the Water Act 1912.

We had a long history in the valley of irrigating the river and under the rules we had previously we used to have a sharing plan. When the river dropped to a certain flow we used to conduct only 12 hours pumping. That was agreed with the department and operated for 24 years. But in April 2007 after they had had a failed attempt of starting a water sharing plan that we kyboshed at Nemingha Hotel the previous 12 months because it was totally ill formed, they decided to come to a meeting with us. They said, "Now the rules are changed. This is what goes from day one here now. You will not be pumping under the old conditions. Things have changed; the rules have changed." They had a game with us for two years while they were developing new water sharing planning rules.

My water usage dropped 30 or 40 per cent immediately because of these changed rules. They had a thing that we had to apply to be allowed to pump under that. Only 10 people were allowed to apply; the rest had to miss out; a bit of discrimination went on. They said to me that I applied for the biggest amount to pump under those stupid rules plus another person—Ian Cox. We had the most applications in to pump. Some people were allowed to pump out of the river and some out of wells. I am totally out of the river even though I have got a groundwater licence I do not use because there is no water in it; not enough to run a pump. Some people have got both. There are 78 licences out of the river and now most of them don't get used. I think if there was a trading thing they would be sold out of the river totally to somewhere else if they could.

With the water licence I hold I am considering selling half of them because I cannot use them anyway but my water usage dropped back in 2002 under dry drought conditions. I was using 120 megalitres a year out of 180 megalitres. Then immediately the rules changed I dropped back to about 70 or 80 megalitres and then last year I only used 30 megalitres up to the end of June 2016, but I had 182 days when I was not allowed to use my pump in that period of 365 because of the water access rule. But we have had a bad run over a number of years and in the years when we were allowed to use the pump, there were a lot of years when there were floods so we didn't need to use it. This shows the map. The yellow areas are where the actual irrigation goes on. There are a couple here.

The CHAIR: We will take those documents as tabled and we will try to get some copies for members.

Documents tabled.

Mr CHAFFEY: These documents are available from the DPI, the old documents. This is the background information. In the first paper dated 9 May 2006 they stated that the justification for taking our water access away was two threatened fish species, five threatened frog species, nine threatened bird species, one threatened reptile species, two threatened bat species, two endangered ecological communities and one threatened population. We totally thought that was false but last year DPI said, "All that is printed on that as the total does not exist. We are not worried about it; we are only worried about the threatened catfish population." So there is only one item. All that other is just added, just something you put on there. Would you believe all those things that are put there listed as threatened species are to do with us pumping our water out of the river? Some people might but we never did. We thought that was a load of garbage from the start.

They have admitted to us now it is only about the catfish. My parents lived there for years on the place and I can remember as a child that when the Cockburn River is at low flow, just a waterhole, we got catfish out of the river. There was no carp; there was no European carp. The river was clean, the water was clean and you could see the sand at the bottom. There used to be slime in the river but in the summertime it was clean. That was the state up to the mid-1970s. Then European carp infested the river. Plus another thing too; there was less population. Kootingal was about a quarter of the size it is, so there were fewer people fishing in the river. My son went fishing in January down the river, at the same place where we got this catfish and all he got was two European carp—out of the same waterhole. He got nothing else; no catfish.

The Hon. MICK VEITCH: Only two carp?

Mr CHAFFEY: Yes, but there were more. He could not catch the rest; they would not take his bait.

The CHAIR: Whereabouts are you located?

Mr CHAFFEY: Nemingha. I am only just about 10 kilometres out. I am about two kilometres up from Nemingha village towards Kootingal.

The CHAIR: They look like productive alluvial flats there.

Mr CHAFFEY: It was. I can look out of my house and look over the river to a farm that is irrigated, which my father used to lease. That is where he started off sharefarming to make money because his farm was across the river. Now that farm has just got grass, a few cattle running on it and it has been in that state for the past seven or eight years. It has had a failed grape venture on it, which probably knocked out. This is beside my farm. In the 1950s my father had it leased it with his brother and he used to grow potatoes, lucerne, maize and all sorts of things.

The CHAIR: What do you mostly grow now—lucerne hay?

Mr CHAFFEY: Just lucerne hay and cereal hay for fodder. We used to grow potatoes—vegetable production the family did years ago—and then hybrid maize, a seed company that had a contract. But now with water you cannot afford to lose something and vegetables are a very critical crop for watering. You cannot afford missing watering. Even lucerne you cannot; you can lose crops. I have lost crops too because I have not been able to irrigate in the last number of years.

The Hon. MICK VEITCH: Mr Chaffey, how much country do you have under lucerne?

Mr CHAFFEY: Only a small area. I had 18 hectares but now I have dropped that back to about 12 hectares. It is not always all in because I have to rotation crop. I run cereal hay from the crop and then I go and double crop and put a summer forage crop in for hay. My lucerne hay production is cut back. I peaked in the early 2000s with my hay production. I had a good client base, I had a good income because I could buy new hay machinery. I bought one machine every year there for four or five years. Then the dealer said to me, "Thank you for your business." Then when this new rule started I did not go in that machinery dealership for two years. I never stepped in the door even to buy spare parts. If you are not using your machinery you do not need spare parts. So that is one of the effects, like my spending.

The DPI has been reviewing our watering plan but it is a very slow process and the stumbling block is catfish. They cannot give any relaxation to our access rules because they do not want to threaten the catfish. Back in the 1970s it was totally clean of catfish but I can tell you now there are a lot more fish in the river. At our bottom place there is a waterhole that is about 2½ metres deep. Not last week but the week before there were eight different people from town who came to fish out of that waterhole. But they do not take the carp out; they just take the native fish. There is nothing there. I have told them because they have fished it out. If they have banned us from irrigating why have they not banned the recreational fishermen from taking any fish out of the

river? If the river is in such dire straits as far as native catfish are concerned, why have they not banned fishermen? You can go up to Kootingal village and I know an irrigator who lives two kilometres downstream. He said when it is dry all these kids come down fishing out every waterhole. Back in the 1960s there were not that many people living in Kootingal. I am not saying it is a bad thing but should there be a bounty on the carp? You are allowed to take carp out of the river. If it has got to such a state you can ban a whole industry and change a valley production. Now the DPI has admitted to us it is over the catfish.

The CHAIR: Given that the DPI has now admitted that the problem is catfish, and given that the problem in your opinion is not so much people pumping water—it is carp—what do you think of the idea of introducing a carp virus?

Mr CHAFFEY: I think it is a good idea but I am wondering how risky it would be if it goes further than it is supposed to.

The CHAIR: But you could get carp out of the Cockburn River and return it to something like it was. Let us say you had a moratorium for five years on taking any catfish or any native fish out of the river. Do you think it would recover?

Mr CHAFFEY: I think it would be a good step towards it. You have to get rid of the carp because they have ruined the river. It is now turbulent and you have to use a propeller to turn the mud up.

The CHAIR: You said there were 78 licences still current on the river?

Mr CHAFFEY: Yes, it is in the handout that I think I gave to you. I will just give background on it. It is licensed for 4,459 megalitres—this is out of the river. There is a similar amount of groundwater but we are only just talking about the river. It is 103,000 megalitres average annual flow. The DPI in their figures said we used 36 per cent, which is 1,600 megalitres. That was prior to 2007. Yes, I agree with that and I have told them this. Now it is down to less than 500 megalitres. I can count up all these farms because I was secretary-treasurer for Cockburn Valley Water Users for 14 years. Prior to that I was vice president for 10 years so I know a bit about it. I know who pumps.

The CHAIR: Does that association still exist?

Mr CHAFFEY: Yes, it does. Five and a half years ago I retired from the position because I was that stressed and I had had a gutful of bureaucrats who did not take any notice of you. It still exists and I am still a member but I am not as active as I was. For health reasons I dropped out. Now it is down to less than 500 megalitres, which on the average annual flow is less than 0.5 per cent of that the water is used. We need to use that water when the river is in low flow. Being an unregulated river it flows through the hills and there is no dam to catch any supply. In drier times it drops down in flow; it always has done. I have been there on that river since I was about three years old, and I know what it does. It has always done that.

There is a lot of gravel and the water soaks through the gravel. Even if you do not pump, the water disappears out of your pump hole, which has happened to me in the last couple of years when I have not been able to pump. The water still disappears; it does not stay there. But the DPI's thing is they want the river to flow all the time. They want to transfer water and they want a flow out of the river at the bottom end as environmental flow. This is part of the Water Management Act 2000. They want a low flow to be maintained in every river and the irrigators cannot touch it. That is the basis behind the watering plan. But in the Cockburn River that never will happen. The low flow will never be maintained unless you provide water storage on it and regulate the flow.

The CHAIR: Because historically it is a terminal system in low flow times it will not flow out.

Mr CHAFFEY: And it naturally has been all my life but back years ago before there was interference in the management of the water flows there was plenty of catfish in the rivers here. We were allowed to pump under the Water Act 1912 and we pumped in those low-flow periods but there was plenty of catfish. There are other factors involved with why they are not there and it is not us, but the irrigators always get the blame for everything. They think "add water and it fixes the problem".

The CHAIR: Are there many subterranean licences such as well licences?

Mr CHAFFEY: There is. There is actually a bit over 4,000 groundwater licences but about three-quarters of them are probably not used. There are a couple of good supplies and people use the groundwater licence because why would you go somewhere else when you have got a good groundwater licence? This is the problem I was having. We had a groundwater licence but we had to go to the river because it drained the groundwater because it is interconnected in some places more so than other places.

The CHAIR: How deep are most of those spear points?

Mr CHAFFEY: Ours was about eight and a bit metres down but there was only a water bearing part at about two metres.

The CHAIR: Which would be the same aquifer system as the river itself, would it not?

Mr CHAFFEY: Yes, it is a similar level. Years ago the riverbed was at a higher level than the aquifer in a lot of places, so there was a pressure point. But if you dropped the bed of the river—and it was dropped over 20-odd years from gravel extraction, because Tamworth used to get its main rock source out of the Cockburn River up until the early 1980s. The irrigators complained about that. It was stopped then back in about the mid 1980s and then they went off to hard rock quarries. But the bed of the river has lowered and it has never recovered back to what it was. There are reference points there and the department knows how much it is down. There have been rock weirs put in trying to restore the bed back up a bit in a places. They have helped in a location but there is a big fall in the valley. A weir will not back up real far because there is too much fall in the whole valley.

The Hon. MICK VEITCH: What is the flow time from top to bottom of the Cockburn River?

Mr CHAFFEY: You can have a flood and it will peak and the peak will be gone in probably six or eight hours or less. The river does not stay. Even in 2008 we had a flood which actually came out of the river and went over my river flat, which has only happened in 1962, in 2004 and in 2008. That flood flow was there and it was six metres or more. It was putting 50,000 megalitres in a day down the river. Then within about five or six weeks I was not allowed to pump, would you believe? At the time they were running a thing that I could not pump below 0.35, which is about 12 or 13 megalitres lower than the river gauge.

In 2006 they put an electronic gauge at the Kootingal Bridge that measures the flow level of the river. You pull up the computer any time of the day and it will tell you what the flow is or the level of the river there. Prior to that, it was a manual stick measurement there which we went on, but then they went electronic so then they monitored more. We actually have to pay for part of that monitoring. We are now charged on our water licence. I think we pay about \$5.40 a megalitre per year just to have a licence. That is for the management services at DPI Water and their water cost recovery.

The Hon. RICK COLLESS: That 4,459 megalitres was the entitlement, was it not, prior to 2007?

Mr CHAFFEY: Yes, and that entitlement still exists.

The Hon. RICK COLLESS: That has not been reduced?

Mr CHAFFEY: No. But what happened is they reduced my ability to access my water. Prior to 2007, I could pump at low flows for 12 hours. I have had a water sharing plan that has been in place for 24 years. But the department came in and stated in 2007—this is after they failed to bring a water sharing plan in the year before. We shut that down at the Nemingha Hotel at a meeting because it was totally ill-prepared. We previously had a history of being able to pump below 0.5. They decided they would bring in a thing that we could not pump below 0.5 at all. That was the first proposal. I can tell you how much we would have pumped prior to that in one year. In a drought year, in 2002 to 2003, we had 212 days when we were allowed to pump for 12 hours a day. The gauge was below 0.5 for those 212 days and we were allowed to irrigate.

The Hon. RICK COLLESS: That is the gauge at Kootingal, is it?

Mr CHAFFEY: Yes. I have a picture I will show you. There is a timber gauge in the river and they put an electronic one in there in 2006. I have the handout from Daniel Coleman showing the times the gauge exceeded 0.5 in the last couple of years. In 2007-08 it only exceeded it on 87 days. In 2008-09 it was 72; that was when we had that flood. In 2009-10 it was 29 days. In 2011—this is a flood year, it was wet and we never needed to irrigate—it was 148 days. In 2011-12 on 186 days it exceeded 0.5. In 2012-13 it was 21 days. Now it is starting to dry out. In 2013-14 it was nil days. It never exceeded half a metre on the gauge, which relates to about 28 or 29 megalitres flow a day. Then in 2014-15 we had 31 days just above that 0.5. In 2016-17 there were 17 days.

The CHAIR: Primarily, I think the answer to Mr Colless' question is your ability to take the water was reduced because the access—the number of days pumping—was reduced?

Mr CHAFFEY: Yes, because they put a flow rule in that we could not pump below a certain level.

The Hon. RICK COLLESS: Your entitlement has not been reduced but your access has?

Mr CHAFFEY: No, the access has been reduced considerably.

The Hon. RICK COLLESS: Your entitlement is still 180 megalitres?

Mr CHAFFEY: In two licences, yes, and I pay the fees on 180 megalitres but you can never use it all. Back before they changed the rules I was using about 120 megalitres.

The Hon. RICK COLLESS: Last year you only used 30?

Mr CHAFFEY: Yes. Now I am in a situation that I look at a block and I am very tight on budget and you start to think if they are forecasting on El Nino. Forecasting El Nino means I cannot pump. If you are going to plant a crop to sow, you look at your budget and—

The CHAIR: And you do not plant.

Mr CHAFFEY: You look at the risk factors. The risk factor is very high now.

The Hon. RICK COLLESS: You are facing a two-pronged problem here: you have reduced access and you also have the highest water usage charges in New South Wales.

Mr CHAFFEY: Yes, the Peel regulator has. We are on unregulated. The Peel regulator has got a massive big charge because they have got a regulated flow and they are paying a lot of money, but we are paying a management fee charge which keeps going up.

The Hon. PENNY SHARPE: Sorry, what is the charged called?

Mr CHAFFEY: The DPI charges a management fee. It is just a straight licence charge. That is supposed to be their cost of running, there are so many people staffing their office, plus it would be the cost of the metering gauge at Kootingal or part of the cost of that. The strangest part about that cost is we only use half of the flow out of the river, less than half a per cent of the flow, it is 103,000 megalitres and we are using 500 megalitres, and the environment gets the rest of it in the stream. Why do they not pay a share of the running cost of the metering gauge? But it all comes back to us to pay for part of that cost. Then once the Cockburn River leaves the end of it it goes into the Peel regulated and then it flows into the Namoi system. There is a lot of water that comes out of the Cockburn into the other river systems. When it is flooding we do not pump. We cannot pump. Usually the pump is pulled out of the thing. I will not even pump a muddy flow in my paddock because you are putting mud onto your lucerne leaf. You only pump virtually when the river water is clean. All the big flows go down the river system further.

The Hon. RICK COLLESS: I fully understand your concerns. It is a disgraceful state of affairs, there is no doubt about that, but what do you see as the solution?

Mr CHAFFEY: I see as the solution for the department to reinstate the water access system we had prior to them altering it in 2007. The reality now is that a lot of people have now stopped irrigating their farms. I do not think some are even starting.

The CHAIR: So you think if the circumstances were reinstated prior to 2007 there would not be that much extraction now anyway because the land use has changed?

Mr CHAFFEY: Yes, but some will reactivate, which is good. I think it is disgusting for them, but it is your own choice. It is better off financially for the ones remaining. In 2012 I had 140 days out of 365 that I could not pump and in 2000 I had 265. After that I lost paying customers; I only made two cuts out of seven. I had people ringing up from Glen Innes and I said, "Well, I apologise for not being able to sell you hay because I haven't got any." I told them why. I put them on to my local transport company and they were getting hay from South Australia in B-doubles; they had three or four a week. Then my customers hired from them and then I had several others. Once that happens they never ring you back.

The CHAIR: You lost business permanently; is what you are saying?

Mr CHAFFEY: It is permanently lost; he never supplied them and I had supplied them previously. On Friday I loaded hay for the same transport company because he did my round bailed hay to a person just up from Mulla Creek, which is about 30-odd kilometres away but a lot of that custom was lost—and not only just the Cockburn Valley; you could go to Dungowan Creek, which feeds into the Peel River, which is unregulated. I can talk to the irrigation farmers and they are not happy either. It is not only me. The strange thing is that all these farmers who are not happy are all about 50 or 60 years old. Where are the young ones? They don't want a bar of it.

The CHAIR: Because of the risk?

The Hon. PAUL GREEN: Can you blame them?

Mr CHAFFEY: Yes, I know. I have three boys; my two older boys work in town and the other one is still at school and they will not have a bar of it either. I could go and buy a place over the river that comes up for sale again soon but why would I bother doing it? You cannot irrigate it most of the time.

Mr SCOT MacDONALD: With the hay coming out of South Australia, we have probably made it worse with the transport subsidies. If you are paying \$120 or \$140 a tonne from South Australia you are getting half of it back so as a transport subsidy it perversely works against you in some respects?

Mr CHAFFEY: I think I agree but if they did not get it from South Australia they were going to get it from down the southern part of New South Wales but he actually got a truck; it is cheaper from South Australia to get one from, say, in the southern area of New South Wales. He could get it transported on a truck, a B-double, cheaper from there. Would you believe that that happens?

Mr SCOT MacDONALD: Sorry, that was more of a comment.

Mr CHAFFEY: I agree with the comment actually.

Mr SCOT MacDONALD: I just did not understand. Can you trade your licence or not?

Mr CHAFFEY: They are looking at us being able to trade. The trading is supposed to have been finalised now but it hasn't been.

Mr SCOT MacDONALD: Would that help you or not? Would you get to a point where water would find its level and those who could make a business of it and sustain themselves would maybe get bigger and people who did not see a future in it would get out?

Mr CHAFFEY: No, all I could see is that water would be traded out of our valley. The farms are only small. Who would buy it under the existing access rules?

Mr SCOT MacDONALD: Are you suggesting, yes, trade but not inter valley or not inter river or not inter system?

Mr CHAFFEY: Ours is on the trading, looking at not allowing any into the river. They did propose to allow an extra 800 or 1,000 megalitres into the Cockburn but we stopped that at a meeting over at the DPI here about 18 months ago. He said, "Are you going to say the thing is not used enough. You told us in the water sharing plan that we were overused and the next minute you tell us that the system is underused" so they have pulled that one off then. Ian Cox said "No extra trading into the valley". They would only allow trading out.

Mr SCOT MacDONALD: What about trading within the Cockburn River system?

Mr CHAFFEY: You are allowed to trade within the system.

Mr SCOT MacDONALD: Is that happening?

Mr CHAFFEY: Very marginally, minutely, one person only had a very small surface river licence but they had a groundwater licence and they actually increased theirs. But they are under the access rules that exist; they probably cannot use it anyway.

Mr SCOT MacDONALD: Should there be more of that trading to get to the point where businesses could be sustained?

Mr CHAFFEY: I could trade water to someone else but under the access rules that exist you cannot use it. The access rules still stand. I don't care if you trade water anywhere inside the valley, unless you alter the access rules that they brought in in 2007 or under the water management plan in 2010—three years prior to that they played games; it was the same sort of thing, so unless you reinstate the access—

Mr SCOT MacDONALD: The allocation?

Mr CHAFFEY: No, the access we had and the cut-off point. It ceased the pump rule they brought in that has destroyed the valley. The licences have always existed but it is the rules they bring in.

The CHAIR: There is no point selling your allocation or your licence because whoever bought it in the valley cannot use it anyway?

Mr CHAFFEY: Well, would they want to buy it?

The CHAIR: Well they can't use it.

Mr CHAFFEY: I know, so unless they had no water licence—

The CHAIR: At all.

Mr CHAFFEY: Then they can buy it. If they had groundwater and someone wanted to buy it—there has been a little bit in the valley, but very little. It has not contributed to the usage really. Some have only bought part of the licence. They were looking at us selling our licence possibly into a creek out near Narrabri somewhere, an unregulated creek. That was the only other place we could sell our water licence to; we could trade out of the valley to a place out near Narrabri where there is an unregulated tributary.

Mr SCOT MacDONALD: With similar characteristics?

Mr CHAFFEY: With similar characteristics but they had rules out there too. They said the licence could be discounted when it went in there because of existing users that could affect them if the licences were increased.

Mr SCOT MacDONALD: Do you have a recommendation for the Committee on trading?

Mr CHAFFEY: I think we should be allowed to trade our licence out because a lot of licences are held by some people who will probably never use them. It is a financial gain to sell them, with the cost that DPI charges.

The Hon. PENNY SHARPE: You are currently operating off a water sharing plan from 2010, is that correct?

Mr CHAFFEY: Yes.

The Hon. PENNY SHARPE: Currently this is being renegotiated, is that right?

Mr CHAFFEY: There is the review and DPI advice said we had a time frame and the commencement of the water sharing plan was supposed been done by 2016. Nearly 12 months later it has not been done.

The CHAIR: You are still waiting?

Mr CHAFFEY: Yes. The biggest stumbling block was we had a farm meeting in August-September last year and they said, "There's the catfish and we have to count the numbers in every waterhole and worry about if you lower the pump down to a lower level will it maintain every water pool." In the past every water pool was never maintained. It has always been dropped up and down. The catfish survived prior to the carp infestation and we were allowed to pump. The water was clean and it always went down to high flow and low flow. The pumps have been there for 70 years; some 40 or 50 years. What is the difference but it is the new rules.

The CHAIR: So you are still waiting?

Mr CHAFFEY: Still waiting.

The Hon. PENNY SHARPE: So the hold-up is from DPI's end because of investigations regarding native catfish?

Mr CHAFFEY: Yes.

The Hon. PENNY SHARPE: Are there other hold-ups?

Mr CHAFFEY: Partly it would be hold-ups because we have to sign off with other parties to the agreement to allow us to alter the cease-to-pump rule. There are different sections in the DPI and I do not know how far that has gone but it is never quick but they did admit after a number of years that they have made a mistake at the Cockburn River only because there was a bit of a threat of some action over groundwater usage. Some people accused them of breaching rules and there was threatened action against them. There was a bit of legal action threatened back and they admitted they have done the wrong thing.

The Hon. PENNY SHARPE: The catfish are a problem but there are a few others as well?

Mr CHAFFEY: The problem is that the water sharing plan was based on a lot of false premises. They wanted to try to maintain existing water usage plus maintain environmental outcomes. They never got most of them. I cannot see that the environment has improved.

The Hon. PAUL GREEN: From when it started to now, what has been the total loss in economic terms around your area?

The CHAIR: In the valley?

Mr CHAFFEY: This last year there has been a drop. DPI has, in the meeting, said there was 1,600 megs used out of approximately 4,059 megs used every year. I said I agree. I knew all the farmers-irrigators. They used to come to meetings. I said, "But now, since 2007, that has dropped down to 500 megs or

less." That 1,100 megs relates to 6.5 megs a hectare usage water. Hay production is just over 90,000 little bales of lucerne hay. At the current market value that is around \$1 million spread over all those farms. Of some of those farms that irrigate now, a couple of them have been just dryland farming. They do not irrigate. I know a farm that has not used irrigated for four years but it has produced a little bit of hay, one cut a year, cereal hay. There has been a change of use, like stock run on the place.

The CHAIR: To summarise, could you take a guess at the total economic loss in the Cockburn Valley?

Mr CHAFFEY: This is in a 12-month period: It is \$1 million lost hay production.

The CHAIR: About \$1 million in one year?

The Hon. PAUL GREEN: The potential for that valley would have been tens of millions. Is that what you are saying?

Mr CHAFFEY: The reality is the amount of water used was probably \$4 million or \$5 million all up but you have taken a good percentage out. With the river access people, you have cut it back to a third of what they used to produce out of the river water. You have still got the groundwater being used under different rules—

The CHAIR: You are saying output could have been, say, \$5 million a year and now it is down to \$1 million a year.

Mr CHAFFEY: No, they have lost the \$1 million out of the—

The CHAIR: In terms of dollars.

The Hon. PAUL GREEN: We are trying to get a dollar figure rather than basing it on the water.

Mr CHAFFEY: The hay production, the \$1 million worth of production lost, was under the water sharing plan rules.

The Hon. PAUL GREEN: Plus your local services—you do not go into local shops.

Mr CHAFFEY: It is a multiplying effect into town.

The Hon. PAUL GREEN: Then you lose confidence in your kids going onto the land, because they have no water security. Then you have product coming from South Australia when it could have been in your own backyard.

Mr CHAFFEY: That is right. That product from South Australia stopped late in 2015, because then the seasonal additions changed here. That product stopped, but last year the hay was brought from further down south at one stage in the winter. Sometimes they are of benefit; sometimes there will be a thing against it.

The CHAIR: If Mr Green were to put a question to you on notice that you could take back to the Cockburn Valley Water Users and Land Care Association, could your people estimate what you have lost?

Mr CHAFFEY: Yes, we could. That would be a good idea.

The Hon. MICK VEITCH: Returning to the water sharing plan, I am hearing from you that the information provided by the Department of Primary Industries in the development of your most recent water sharing plan was inconsistent and it changed the information as it moved along.

Mr CHAFFEY: It took a lot of years to admit that it had a lot of things that it should not have done. It only admitted 12 months ago that with the whole basis of its thing there was only one thing it worried about. But if you were back there 10 years ago, you would think everything was a big worry and we were the worst people out. They blamed us irrigators for everything. Another factor in the Cockburn Valley is that from 1970 for the next 15 or 20 years there were an extra three or four times the number of dams within the catchment for stock water purposes. There was a massive growth in dams and an extra couple of thousand megs in water storages on farms up in the catchment.

As people develop and pasture improves and they get more stock, they put more dams in—into gullies that feed into rivers—and that has a slight effect too in low flow times. You will not get the flow to the creek that you get in the river in a low rainfall event. The low flows could probably be more and last longer. They might have recovered quicker sometimes in the past. That is a change that has happened too, but that is out of our control anyway.

The Hon. MICK VEITCH: There are three industrial licenses in this catchment. Do you know what they are?

Mr CHAFFEY: There used to be a gravel washing plant—that is actually a bit old, because that has been changed. It has gone out of the river because the department tried to change one of those industrial licences to a river licence. When it had a ban on, you could not change any licence or bring one in, so the Co valley association got stuck into it about that one. It ended up being sold out of the river and went to washing industrial purposes somewhere in another river. That industrial one has gone. Then down the bottom end of the river at Hanson concrete, they were there on the junction cove. And the others used to source water on the Cockburn side. They had a bit of a weir rock thing across the river, but I do not think they do that anymore. That was part of it. Plus there is one about four kilometres or five kilometres down Kootingal Street, there is a gravel washer that is totally closed. The licence was left over after it closed.

The Hon. MICK VEITCH: It is still there but latent.

Mr CHAFFEY: No, the licence got transferred, changed. It got taken somewhere else.

The Hon. MICK VEITCH: If there was an improvement in the process in the development of your current water sharing plan, what would it be?

Mr CHAFFEY: The only improvement we could have is that the farmers, the irrigators, have more say in it. I think there is too much say for people who do not live on the river system and do not know the outcomes of what they have imposed, which we have warned them of in the past. We have warned them what they are going to cause, and whatever we said to them back in 2006, 2007, 2008, 2009 and 2010 has come through. We said, "You'd destroy the irrigation in the Cockburn Valley"; they have done a great job of doing that. They might be proud of that but some of those people who work in the department have taken redundancies and left. There is always a change of staff. Sometimes you get someone here developing this, and then the next minute you find out that they have left.

The Hon. MICK VEITCH: There is no consistency in the staffing—is that right?

Mr CHAFFEY: There seems to be a lot of changes going on all the time, especially in the last 10 years. A couple of people here are still involved with it, and a couple have been here and it ended up that we found out they had left. That has delayed things, if someone starts doing something and then they have actually gone.

The CHAIR: We have run out of time, Mr Chaffey. Thank you very much for agreeing to come and talk. As a producer yourself, the sort of information that you are presenting to us is valuable because we are starting to get an idea and a sense of things now, and not only in your particular valley. Over the last couple of days we have heard almost identical sets of evidence, which is good. We will write to ask you a couple of questions on notice. In the meantime you could talk to your fellow irrigators in your valley and tell them that the inquiry will ask you to put together some economic numbers as a guesstimate—we are not pinning you down—and we will arrange for those questions to be sent to you. If we can get an answer within 21 days of you receiving them, we would be very grateful. Thank you for your evidence.

Mr CHAFFEY: Thank you very much for allowing me to come in and speak. Sometimes in government you do not know how bureaucracy works on the ground, and I think you find out it is actually worse than you think.

(The witness withdrew)

JANNINE MILES, President, Peel Valley Water Users Association, sworn and examined

ILDU MONTICONE, Member, Peel Valley Water Users Association, sworn and examined

DAVID GOWING, Member, Peel Valley Water Users Association, sworn and examined

The CHAIR: Before we proceed to questions from the Committee, would one or all of you like to make an opening statement? If you have any documents to table the secretariat will take them now and distribute them.

Mr GOWING: We would probably all like to make an opening statement.

The CHAIR: Any documents you have we will take now.

Mr MONTICONE: This document is our submission to the current Independent Pricing and Regulatory Tribunal [IPART] hearing on water pricing.

The CHAIR: We will regard it as a supplementary.

Mr MONTICONE: Yes, it is. That document is our submission to IPART. You are probably aware that IPART is currently reviewing the prices in New South Wales for bulk water and they are going to hand down their findings and determination on 13 June, which is exactly four weeks from today. We are very concerned that the Peel will continue to be excessively charged for water. However, since we lodged our submission Minister Blair did come to us and make a suggestion that we adopt a different pricing mechanism in the Peel. That meant that our water usage charge will go down to about \$18 per megalitre, and we would be happy with that. However, that proposal meant that Tamworth council will be charged about \$629,000 extra, and Tamworth council—which is the other major stakeholder in water usage in the Peel—quite clearly are not happy with it and have rejected it. We do not know where that stands with IPART. IPART may tell Tamworth council they will have to wear it. However, we doubt that will be the case, but we do not know and will not know until 13 June.

The CHAIR: For the record—excuse me asking this in my ignorance—do you know how many ratepayers Tamworth council has?

Mr MONTICONE: No, I do not.

Mr SCOT MacDONALD: There are 55,000 residents.

Mr MONTICONE: I guess that is a significant change from our submission and it only happened about four weeks before we had to lodge our submission to IPART anyway. But in any case, we do not know whether that is going to have any impact on the prices proposed by IPART for the Peel Valley but we maintain that the prices in the Peel are excessive. We believe they are inequitable compared to all the other valleys in New South Wales and we believe it is time for somebody to stand up and change it. We have been fighting this for many, many years and we have got nowhere. We are very frustrated that we have not been able to get something that is closer to equity in water pricing. We hope that this inquiry may help to achieve that result.

The CHAIR: That is going to be interesting if IPART is bringing down its decision in four weeks and we are not going to report until November. But we take your point. Maybe a bit of publicity would be in order, given that IPART is about to rule. How many users are there in your group or in the valley, if you have that number?

Mr MONTICONE: There are about 200 Peel River pumpers. There are a lot more underground and unregulated, but there are about 200 Peel River pumpers.

The CHAIR: Mr Gowing, do you have anything to add?

Mr GOWING: I have prepared a statement, if I could read it to you?

The CHAIR: Yes, please read it on to the record. We would be grateful if Hansard could have a copy afterwards.

Mr GOWING: They might have trouble reading my writing.

The CHAIR: Everything helps.

Mr GOWING: Today I wish to address you about two anomalies: the uneconomic pricing of the Peel Valley regulated water and the unfair cap placed on the use of regulated water under the Murray-Darling plan. I wish to bring up evidence given by Mr Harmstorf from IPART to this Committee. In the case of water, IPART

do not make a recommendation; they make a determination. They said valley prices reflect the cost of recovery for that valley. My understanding of the evidence is that the user or multiple users pay. In answer to a question asked by Mr Scot MacDonald about monopolies Mr Harmstorf said that monopolies are only of value to you if you can overcharge. It is where IPART steps in and makes sure this does not happen. He goes on to say that the impacter pays; the beneficiary pays the damage bill for flood mitigation. The taxpayer pays, even though I suggest that only a small number of taxpayers would benefit, and if other users are found those users will pay. I submit that in a case of the Peel high and low security, users pay all the costs and IPART is acting as a monopoly. Ninety-five per cent of the water flow in the Peel goes to other users; 6,100 megalitres under the basin plan are available to users out of the 31,000 for which they are licensed, which is a huge discrepancy.

The CHAIR: About 20 per cent.

Mr MONTICONE: Yes, and 5,000 megalitres goes to the environment. Thus one can argue that the total chargeable megalitres for the Peel is 36,000; that is, 31,000 held by licences and 500 for the environment. Under IPART rules the cost is to supply a charge to this. However, as licence holders are capped at 6,100 megalitres, 24,900 megalitres are controlled by the basin authority and they are the beneficiary. IPART are acting as a monopoly as they are charging all the costs to the licence holders when quite clearly the beneficiaries currently are: licence holders, 6,100 megalitres; the basin authority, 24,900 megalitres; and the environment, 5,000 megalitres. Charges should reflect this until such time as the licence holders—which is what I believe should be the case—are returned their full licence entitlement. I now move to the effects of the high and uneconomic cost of water pricing. The Peel Valley Water Users Association submission has shown that it is cheaper to import hay than produce it here. Mr Monticone has figures showing the decline in water usage due to high prices, which I presume you have.

The Hon. MICK VEITCH: It is in the handout.

Mr GOWING: We now have evidence of two property sales falling through due to high water costs. I will now point out from my own experience that a couple of years ago I made a commercial decision that Peel regulated water was too unreliable and prices for water were no longer economic. I was in the happy position of having access to an adequate supply of Peel alluvium water as well as fractured rock and unregulated licences. I spent over \$50,000 on the sinking of two bores and equipping the successful one. This enables me to operate without the use of regulated water. I plan to sell the regulated water and licence. This has been on the market since January with no success—an example of no-one wishing to buy overpriced water.

I believe the last sale of Peel regulated water was into the Namoi catchment where it turned into Namoi water. I have received medical evidence that I should reduce my workload, thus one of my small farms came on the market just after Easter. We have had no inspections to date. Since the rise in sheep and cattle prices local farms have been selling like hot cakes and the market is apparently not distinguishing between regulated and alluvium water. All irrigation properties are out of favour due to the high price of regulated water. Surely these facts will convince you that the price for regulated water is not economic and needs urgent action if the irrigation industry is to continue in the Peel Valley.

The CHAIR: How deep is your alluvium supply coming from?

Mr GOWING: I have got wells of 40 feet or 50 feet, that sort of order. I will not guarantee the exact depth.

The CHAIR: And the new bore that you put in?

Mr GOWING: Around the 50 feet mark. The existing alluvium water I think is about 30 or 40 feet and the new bore that I put in to source that water was around 50 feet. I did put another bore into the fractured rock source and it was unsuccessful in delivering enough water for irrigation.

The CHAIR: Was that deeper?

Mr GOWING: No, it was a similar level and the other bores that I have into the fractured rock are around that 30 to 40 feet mark.

The CHAIR: Which locality are you in?

Mr GOWING: I live just within the town boundary to the south and the other fractured rock source is on the Tangaratta Creek. It is between the highway to Gunnedah and the road adjacent to that. It is very close to Tamworth on the Tangaratta Creek.

The Hon. PAUL GREEN: The prices in the table on page 1 of your submission are pretty extraordinary, are they not? The Peel is \$58 compared with someone else's roughly \$22.

Mr MONTICONE: They are extraordinary.

The Hon. PAUL GREEN: It sounds unfair. Firstly, how is that justified? Second, I see on the next page you talk about full cost recovery and you have not even gone there yet.

Mr MONTICONE: In terms of the excessive prices in the Peel, we agree that they are excessive, we are agree that they are inequitable and we actually think that they are anticompetitive and contrary to the obligations of the Australian Competition and Consumer Commission [ACCC] to promote competition and fair trading. However, the way they are justified is that there are a very small number of users—200 in the Peel—and the costs divided by such a small number of users, such a small number of megalitres, means that the end result is high. We think that is grossly unfair. Clearly it does not cost—on current prices here—27 times higher to deliver water to the Peel than it does in other parts of the State. That is rubbish. We think just because there is a small number of users we should not be penalised. The second part of the question was, sorry?

The Hon. PAUL GREEN: I will just add to that point, we do not do that with roads, do we?

Mr MONTICONE: We do not do it with anything.

The Hon. PAUL GREEN: Imagine if we started dividing up roads based on councils.

Mr MONTICONE: If the ACCC charged \$54.97 in Tamworth for petrol and \$2 in Albury the sky would fall in. Here we are doing exactly that with water—a government-owned monopoly is doing it. We cannot go somewhere else and get the water. This is a government-owned monopoly and the regulators approve the price. It defies all logic. We have to pay and we do not think it is competitive and we do not think it is fair or just or equitable or anything else.

The Hon. PAUL GREEN: That brings me to my second question. You talk about it being anticompetitive. Since these rules have come in have they cost the industry? Have you had economic losses and, if so, can you quantify what that loss would be to date?

Mr MONTICONE: The loss is manifested in many different ways.

The Hon. PAUL GREEN: Please share some of those ways.

The CHAIR: Perhaps you could narrow the question down and we could talk about farm price output or economic output from irrigated production. If we start from there we can probably develop the rest of the answer.

Mr MONTICONE: Irrigators in the Peel are using less water now than they did 10 years ago. The reason for that is the price. At a personal level we did not irrigate at all last year. We could have but we did not because of the cost of water.

The CHAIR: Has that resulted in a reduction in production?

Mr MONTICONE: Absolutely. Directly.

The Hon. PAUL GREEN: That is what I am trying to get at. I think some would walk away from this saying that the system is working because we got you to use less water. They are some of the political messages behind this; people want you to use less water.

Mr MONTICONE: That is a very interesting question. The Murray uses the most water in the State and they pay the least for water. If you want people to use less water is it fair that you should charge the least amount of money for the water that they are using? It is exactly the corollary of what they are trying to do. From the environmental point of view if you want the Murray to use less water you should increase the price.

The Hon. PAUL GREEN: That is exactly what I am saying. That is exactly the system. We increase the price and so much so that the equation looks unfair and uncompetitive for you.

Mr MONTICONE: It is.

The Hon. PAUL GREEN: And it is forcing you to use less water. But the by-product of using less water, from what we heard yesterday with cotton, is a lower quality product and less yield.

Mr MONTICONE: Precisely. That is exactly what is happening in the Peel. I might hand over to Ms Miles because I know she wants to make a point about the effect of the high cost of hay in Tamworth.

Mr GOWING: If I can interrupt, I believe that what Mr Monticone is trying to tell you is that the biggest users pay the least and the smallest users pay the most.

Ms MILES: I am an irrigator of 26 years approximately. I am the third property below Chaffey Dam. I again have not used water in the last probably two years now, two seasons, relying totally on what comes from the sky. I do not have any bore water at all, underground water. I am a major horse breeder as well to the extent of I have roughly 120 horses that my son operates. He is 26 years old. He absolutely detests having to pump water when we have had to pump water because of the cost of it.

As a young person who one day will take over the farm from me it is a very sad indictment of our industry that we are not encouraging young people. Casting no aspersions on Mr Monticone, Mr Gowing and I about our age, but we are really struggling these days to get young people into this industry. As a hay grower not only for our horses but as a seller, it is cheaper for the horse industry around Tamworth—and Tamworth is a major horse industry now; the Federal and State governments have sunk between \$30 and \$40 million into Tamworth becoming the biggest horse event centre in the Southern Hemisphere; it is growing monthly here. It is phenomenal what is happening in Tamworth with the horse industry but we cannot feed the horses though. They are trucking hay cheaper from the Murray and the Lachlan than we can produce it here in Tamworth.

It is cheaper to put petrol in your truck and run down there, load up your hay and bring it to Tamworth. We cannot charge 11 times more the cost of a bale of hay up here because that is what it is costing us to produce it. They are the ones making the profit down on the Lachlan and the Murray. They can make hay heaps cheaper than we can and we have got to keep our margin to try to just turn hay over but we are not making any money. The other incredibly detrimental effect that we are seeing here is that banks are scared of irrigators now. It is devaluing our properties. I still have a significant mortgage and I can assure you that the banks are terrified at the irrigation industry. It is going to severely impact on our values.

The Hon. PAUL GREEN: That is because it has now become a major risk in their calculations?

Ms MILES: Yes, we are a big risk to banks by a long way.

The Hon. PAUL GREEN: Because of the water prices?

Ms MILES: If we could not irrigate and we did not have that water licence, I would have to walk away from my farm. It is significant—and that is purely what Mr Gowing mentioned earlier—real estate agents cannot sell irrigation farms. It looks bad for the banks and it does not take much for banks these days to get the shakes in their boots when you walk in. Mr Monticone has been working on this for a lot longer than me. This is an argument on pricing that we have had for 20 or 25 years in this valley. It has basically affected people's health dramatically because of what they have gone through. Recently, in the last four weeks, a major dairy in Tamworth has closed its doors and the place is on the market. It was a significant dairy that had established itself here in Tamworth. He wrote to us and thanked us for our support and association but said he was having to close his doors because of water pricing as one of the major things—I guess also electricity and all those components—but water was a significantly major issue to a dairy industry.

The water sharing plan is another major thing, as we heard from Mr Chaffey earlier. Again, we are only allowed to use supposedly 6,100 megalitres in a dry year but if in that particular dry year, as happened a few years ago where we used 10,000, ultimately we get to that 10-year water sharing plan and if we have used up our 6,100 megalitres before that 10 years are up, quite possibly there could be two or three years where we are not even allowed to turn the tap on if we could, so again there is no income whatsoever. We could have two or three years where they say, "You have used all your water sharing plan up. Bad luck. There's another three years to go. You can't irrigate." It is a severe problem and it is very tragic, as the gentleman said a minute ago, that we have IPART making another decision on us in four weeks time.

So many people seem to be involved in the water industry. We have State Water, Federal Water, the Australian Competition and Consumer Commission and Independent Pricing and Regulatory Tribunal all making decisions on behalf of us but you are the first—we have had a couple of discussions with IPART and obviously we have spoken to members of Parliament. We can give you truckloads of submissions and reports.

The Hon. MICK VEITCH: I want to dwell for a moment on IPART. Do you have faith in the IPART process?

Mr MONTICONE: No, we do not.

The Hon. MICK VEITCH: What are the failings that you see in that process?

Mr MONTICONE: The first thing is that on page 210 of the IPART report they say that these charges are not perverse, unfair, inequitable or anti-competitive. Those are their words. We just cannot understand how they could come to that conclusion. How are those prices not unfair? If you ask anybody what they think of those prices, they will tell you they are unfair. IPART does not think so. That is the first thing.

The CHAIR: We will have representatives of IPART as witnesses on 5 June.

Mr MONTICONE: Well, please give them a hard time from us.

The Hon. MICK VEITCH: It is important for you to get this on the record. We can prosecute a case if we get the information.

Mr MONTICONE: They are their words on page 210. The second thing is that we believe those prices are perverse and therefore we believe they are in breach of the Commonwealth Water Act because in the Commonwealth Water Act—and I can give you the reference number; in fact, it might be in our submission.

The Hon. PENNY SHARPE: It is.

Mr MONTICONE: If those prices are perverse they are in breach of the Commonwealth Water Act and for a government-owned monopoly and a regulator to permit the charging of prices that are in breach of the Commonwealth Water Act, that is a pretty serious thing. They will not give us a definition of what is perverse. We have asked them multiple times, going back years. We have asked the ACCC, WaterNSW but nobody will define "perverse" because they are afraid that they will be in breach of the Water Act but they continue to charge those excessive prices. We are very concerned about that.

Now going back to IPART and what we think of them, in 2006 IPART said this: "... in some valleys full cost recovery could not be achieved without substantial increases in tariffs that would have damaging impacts on users ... In some instances (ie, North Coast, South Coast and Peel) the Tribunal considers that full cost reflectivity will never be achieved." That was in 2006. However, IPART continued to increase the prices to the point where in 2016-17 the Peel actually reached full cost recovery. So they did that knowing full well in their own words that it would have damaging impacts on users. So IPART knew that and they increased the charges against what any normal person would think is a fair go.

The CHAIR: Point of clarification: The prices were adjusted to the point where full cost recovery was achieved?

Mr MONTICONE: Yes.

The CHAIR: But full cost recovery for the whole of the delivery of the system when the users upon whom that recovery cost was placed only used 5 per cent of that water?

Mr MONTICONE: That is correct.

The Hon. MICK VEITCH: The numbers that are used to determine full cost recovery are provided by the department, is that correct?

Mr MONTICONE: Yes, that is correct.

The Hon. MICK VEITCH: Does IPART challenge the rigour around those numbers?

Mr MONTICONE: They do but how rigorously they challenge them, I do not know. They do challenge them but my personal view is that IPART basically rubber stamps what WaterNSW asks and I do not think they challenge the figures rigorously enough.

The Hon. MICK VEITCH: That leads to the next question, which is: So the figures that the department puts up valley by valley alter because of the infrastructure in each of the valleys, is that correct?

Mr MONTICONE: That is correct.

The Hon. MICK VEITCH: I am looking at IPART's methodology and justification of the methodology for determining the level at which you pay your user charges as opposed to, say, the people on the Tumut and the Murrumbidgee.

Mr MONTICONE: It goes back one step further than IPART. There is a National Water Initiative and there is a Commonwealth Water Act, and they set the guidelines. They really established this valley-based pricing principle. The valley-based pricing adversely affects the Peel users because there is a small number of users and a small number of megalitres. IPART never challenged that; that is what IPART should challenge, because that philosophy is creating the adverse result.

The CHAIR: It virtually sets the rules for achieving the outcome it has achieved. If you do not change the inputs, you are not going to change the outputs.

Mr MONTICONE: Exactly right. We really think that IPART—and we have asked it in our submissions to do so—should challenge that because in its own words this small number of users creates a higher cost in the field. We have asked it to challenge that philosophy, and it does not.

The Hon. MICK VEITCH: Is IPART the appropriate forum or tribunal to establish the costs?

Mr MONTICONE: IPART in this case, at the current hearing, is acting on behalf of the ACCC. The ACCC regulates the prices in the Murray-Darling Basin but the ACCC has delegated the responsibility to IPART for this review round. There is one other point I want to make about IPART and it is this: The concept of a government-owned monopoly that deliberately increases water charges in one valley until the point at which the water users in the valley are driven out of business by Government pricing policies—that philosophy would be abhorrent to most Australians. It is exactly what IPART is committing, and it has actually said it in the draft report. It says that because people in the Peel have not handed back their licenses, the prices are affordable. That is an absolutely obnoxious attitude for a government-owned monopoly and a so-called independent regulator to have. If the public of Australia realised that the regulator is allowing a government-owned monopoly to force people out of business before they think the price is too high, that is just an outrageously unacceptable policy.

The Hon. MICK VEITCH: Is the Peel Valley Water Users Association satisfied with the appeal processes of IPART? Do you think we should look at changes to them?

Mr MONTICONE: We have submitted submissions and appeared at every public hearing of IPART ever since IPART started being involved. We have never had any success in having any price reduction in the history of IPART.

The Hon. RICK COLLESS: Is it the case that the 200-odd irrigators are expected to pay the full cost recovery for all the other environmental and social benefits that accrue from that water in that system?

Mr MONTICONE: Correct—for 5 per cent of the water.

Mr GOWING: Can I throw something in here? Building into those costs, actual delivery costs of the water, a profit for the company, the way the pricing is done, currently there is also the cost for ownership of the water which is relatively low and the pricing for the water itself is relatively high, so they take out an insurance policy so that if not much water is used then they recover money. That is a very substantial cost and that is also charged to this end of price recovery bit, and the plan that was come up with should have eliminated that insurance bit and contributed towards the lowering of the usage charges. It is slightly increased, the initial charge amount on the licence. Did that become clear?

The Hon. RICK COLLESS: Yes. Thank you, Mr Gowing. You would be aware that the Peel water sharing plan is about to expire. I think a Namoi Water Resource Plan is being prepared. Have you been involved in that process?

Mr MONTICONE: We will be when it starts.

The Hon. RICK COLLESS: As I understand it, the date for the stakeholder comments on the Namoi Water Resource Plan has passed. Where do you believe it is up to?

Mr MONTICONE: That is correct. They issued an issues paper, and comments on the issues paper were due by 30 June and we lodged ours. We are waiting for the process to start. We have nominated representatives to be part of that, but they have not had their first meeting yet and there is no date set.

The Hon. PENNY SHARPE: According to the figures you have given us, you can only extract six megalitres of around 31 megalitres. Are you able to carry over that entitlement?

Mr MONTICONE: No, there is no carryover.

The Hon. PENNY SHARPE: I wanted to clarify that because it is different in different places. The charges have historically been high. Is that because of the infrastructure that is particular to this valley in terms of what is required when people are looking at full cost recovery?

Mr MONTICONE: No, the infrastructure in the Peel is not high. It is simply the fact that the number of megalitres and the number of users are low. Whatever the figure is, when you have a very low divisor it makes it a very high end result. The fact is that the Peel infrastructure costs are not excessively high; the number of users and megalitres are low and that is what makes it—

The Hon. PENNY SHARPE: That is why you get that outcome.

Mr SCOT MacDONALD: I am interested in the idea of rebalancing from 5 per cent of the water users and irrigators to the community and the environment. How would we go about doing that practically? I think you alluded to maybe the council paying a bit more, but what are the means for doing that?

Mr MONTICONE: At the moment, the irrigators on council pay the full charges on 5,000 megalitres that go to the environment annually. The thing that really frustrates us about that is not only do we pay the full

cost on that 5,000 megs that the irrigators cannot use, but once that 5,000 megalitres enters the Namoi system, they are allowed to pump it.

Mr SCOT MacDONALD: It goes back into their water sharing process.

Mr MONTICONE: That is right. We are basically gifting them 5,000 megalitres on which we have paid 100 per cent of the costs.

Mr SCOT MacDONALD: Is that 5,000 part of your environmental 31,000?

Mr MONTICONE: No, that is on top of it.

Mr GOWING: No, that is on top of that.

Mr SCOT MacDONALD: It is on top of the 31,000.

Mr GOWING: I explained that in my submission, I believe.

Mr SCOT MacDONALD: I have followed it in the paper for a long time. It seems to be a vexed problem. We keep coming back to IPART and its calculations, and there does not seem to be any common ground or any sort of give. There are full cost recovery calculations from IPART. I have never been able to work out from your group or IPART the credibility around that. Have you been able to drill down to the return on investment that you were talking about before, some of those infrastructure charges and all of that work behind it? Have you been able to analyse how exactly IPART has reached its conclusions?

While ever there is a small number of users in the Peel and while ever they use the current philosophy, we are always going to be stuck because when you have got a small number of people sharing the cost they are all going to have to wear a very high cost. But there is a way of bypassing it. On page 10 of the handout you will see that the former member for Tamworth introduced a private member's bill in the New South Wales Parliament which was known as an Act to amend the Water Management Act to ensure that the amount charged for taking water in the Peel, North Coast and South Coast valleys is no more than the average price determined by IPART for the other areas of the State.

Mr SCOT MacDONALD: That is postage stamped?

Mr MONTICONE: No, it is not. This is simply that the three worst affected in the State pay no more than the average of the other valleys.

Mr SCOT MacDONALD: But are you asking for cross-subsidisation?

Mr MONTICONE: We are asking for fair prices.

Mr SCOT MacDONALD: This seems to be the crux.

Mr GOWING: Mr MacDonald, as I suggested in my submission, if the basin authority were to pay for the current 24,900 megalitres that they stopped irrigators using, if they were to pay that cost, which they should do under the current laws that IPART or Mr Harnsdorf referred to this Committee, the problem would be solved.

The CHAIR: Excuse my ignorance in all of this. IPART set the price?

Mr MONTICONE: Yes.

The CHAIR: Does IPART also determine who in the mix shall pay that price?

The Hon. RICK COLLESS: The irrigators.

The CHAIR: That is what I am saying. IPART determines the price and IPART is also saying that 100 per cent of that cost will be paid by the irrigators and the council. Is that right?

Mr GOWING: My understanding is that IPART determines who the users are or who the beneficiaries are and then they charge accordingly.

The CHAIR: On behalf of the State the head beneficiary is the Murray-Darling Basin Authority [MDBA]?

Mr GOWING: Yes, I maintain that.

The CHAIR: But they do not include that.

Mr GOWING: They ignore that.

The CHAIR: That is probably the answer. I should not be putting words in your mouth, but would a solution be that every beneficiary is recognised first? Secondly, it does not matter what IPART calculates the cost of the water at; at least every beneficiary will pay his or her proportionate share? Would that be the solution?

Mr GOWING: That is the basis of my submission to you.

The CHAIR: The trick would be then to get IPART to conclude that the Murray-Darling Basin Authority or the people in New South Wales are the beneficiaries.

Mr GOWING: Yes.

Mr SCOT MacDONALD: But who will pay that bill?

The CHAIR: Every taxpayer in the State.

The Hon. RICK COLLESS: In Australia in fact.

Mr GOWING: I maintain that while it is currently unfair, should it change the irrigators get more entitlements in the new basin plan.

The CHAIR: It is exactly the same argument for every good public rule or regulation that is applied to private landholders. It is exactly the same argument. Should a private landholder be paying for the overall benefit of the environment or for the good of the State? Some people might say yes. A lot of people would say no. The difficulty we have is coming up with recommendations that can at least be tested or used. We are clear on your combined recommendations in your submission and in your evidence given this morning. Before we conclude, you would have been in the room when we asked Mr Chaffey whether he would be able to go back to his group and give this Committee an indication of what he thinks the shortfall in production in his valley has been.

In your case there are two reasons you are saying that production has fallen. One is the price of water; and obviously irrigated output is a lot higher than dropped water output. The second reason is the amount of water that you are allowed to use. If you were to be asked that question could you put together a quick assessment of what you think the economic shortfall is for the 22 per cent reduction in water use? In other words, how much output has that cut off from the Peel River valley?

Mr MONTICONE: We can certainly do that.

Mr GOWING: We can give it our best consideration.

The CHAIR: That is all we ask. We are slightly over time.

The Hon. PAUL GREEN: The second part of that is not just the economic impact but what you think the total yield could be if a larger water supply was given?

The CHAIR: That is right. We will craft that question.

Mr MONTICONE: Before we go can I make one final comment?

The CHAIR: Certainly.

Mr MONTICONE: To put the cost of this excessive price into perspective, the average cost of all the other valleys in New South Wales in the Murray-Darling Basin is \$8.26.

The CHAIR: Per megalitre?

Mr MONTICONE: Per megalitre. If there was a subsidy so that the Peel paid no more than \$8.26 the cost to the Government, the maximum cost to the Government is around 250,000 or less, because we cannot always use our full 6,100. The amount of money that we are talking about here is under \$250,000 a year.

The CHAIR: But at the same time I think we heard that council will be required as part of that IPART guess to pay an additional \$629,000. Is that right?

Mr MONTICONE: But this is separate.

The CHAIR: Having now put that on the record, if you then answered the question about the loss of production in the valley at least we could compare the two.

Mr MONTICONE: Correct.

The CHAIR: The loss of production in the valley—I am sure the answer will be more than \$250,000 at farm gate price.

Mr MONTICONE: Guaranteed.

Mr SCOT MacDONALD: That is a good point but I think you have to identify from a public policy perspective where you would take that money from. I am not saying it is right or wrong because it happens across government with public transport—

The CHAIR: I will stop you there. With all due respect, it is not the witnesses' responsibility to tell the Committee how to formulate policy. They are here to tell the Committee what they think we should be doing because we are driving them out of business.

Mr SCOT MacDONALD: I think 20¢ a megalitre from the Murray will do it. I am trying to help you.

The CHAIR: I will call a halt to the proceedings and I thank you very much for taking the time to come before the Committee. It is obvious that your association has done a lot of work from the size of the bundles of documents you are carrying. If we send you questions they will be in writing and we would appreciate answers within 21 days. Once again, thank you very much for taking the time to come and see us.

Mr MONTICONE: Thank you

Mr GOWING: Thank you for hearing us.

Ms MILES: Thank you for your time.

(The witnesses withdrew)

COLIN JOHN MURRAY, Chairperson, Namoi Councils Joint Organisation, and, Mayor, Tamworth Regional Council, sworn and examined

The CHAIR: Before we proceed to questions I invite you to make an opening statement.

Mr MURRAY: In appearing this morning before this Committee I acknowledge that Namoi councils did not submit a submission to this inquiry; however, we do certainly have some peculiar or particular issues that we would wish to address. Most of those issues relate to the member councils being at the head of the catchment. Those councils are Walcha Council, Tamworth Regional Council and Liverpool Plains Shire Council. As the water supplies to the particular councils are drawn further down the catchment the challenges diminish. I guess this is one of the complexities of our water management in New South Wales. As we get towards the head of the catchment there are certain anomalies that emerge from within the system that make it very difficult for council businesses and other businesses that rely on irrigation to survive.

The CHAIR: Do the councils with their responsibility for town water and water supplies, et cetera, have the same concerns as the economic base, the irrigators?

Mr MURRAY: I guess similar but slightly different. Our overriding concern is always security of water. Again, those councils located in the head waters certainly have some challenges in regards to security of water in times of drought, et cetera, and the available storages.

The CHAIR: You see the capacity of the available storages as a risk?

Mr MURRAY: Yes.

The CHAIR: Is it a risk that has proven itself over any time periods recently?

Mr MURRAY: I would suggest that Liverpool Plains shire have faced very severe restrictions. Their reserves of water supplies have been critical, level 5 water restrictions. The town of Willow Tree actually ran out of water for a period. Walcha Council was down to, I think, level 4 restrictions recently. Tamworth Regional Council over the last 10 years—notwithstanding the upgrade of Chaffey Dam that has changed the circumstances—has spent a lot of time on water restrictions.

We hear a lot from our community about concerns over the storage capacities. That was somewhat relieved with the recent capacity upgrade of Chaffey Dam but I would suggest that part of the solution for the valley is more water storage. We hear the concerns of the irrigation sector of our community and also the town. We have got some very large water users in Tamworth. Residential water users only use about 50 per cent of the treated water in the city. The other 50 per cent is used by very high employment number companies, particularly the food processing companies like the three abattoirs that we have in the city and other food processors.

The CHAIR: Do you have available projections as to what you think the economic growth numbers will be for the regional organisation of councils [ROC]?

Mr MURRAY: I could take that one on notice.

The CHAIR: I should have said would you be able to give us some sort of indication. You can take that on notice.

Mr MURRAY: As a broad indication I would suggest that some of our members are actually in population decline. I guess when you hear what demographers around the country have to say that is possibly not going to change too much in the future. But some of our members are actually increasing in population. They are Tamworth, Gunnedah and Narrabri. I think Narrabri and Gunnedah are particularly increasing in relation to the extractive industries that are quite active at the moment. Tamworth has a very long and strong population growth trend that sits above the State and national average.

The Hon. PAUL GREEN: Secondary to that, you have a massive tourism population boom which you need water infrastructure for.

Mr MURRAY: Yes, that all forms part of it although, surprisingly, our tourism does not use huge quantities of water. Statistics suggest that is not a big impost. The big concern from our community is the number of jobs that are attached to those high water use industries.

The CHAIR: Did either Tamworth Regional Council or the joint councils organisation make any submission to the Independent Pricing and Regulatory Tribunal [IPART] about this latest round of water pricing?

Mr MURRAY: Yes, I believe so.

The CHAIR: Is there anything you would like to put on the table in regard to that submission that you are concerned about?

Mr MURRAY: Tamworth Regional Council, as would be no surprise to any of the members of this Committee, has had a longstanding view that we should have postage stamp pricing. In this inequity we find the city of Tamworth is paying around 21 times more for the water it uses than what it would if it was located on the Murray River, even more if it was on the Murrumbidgee. The inequity of the modelling or the formulas is beyond comprehension for our community. We just do not believe that there is equity or fairness in the way that the formulas are arrived at.

The CHAIR: Being the largest in the group, Tamworth council obviously has some resources available to do some analysis if you were able to. Do you feel that stakeholders like your council are given sufficient information by IPART or by water departments to allow you to challenge the formulas that go into the determination? If you were given that information would your council have the types of resources available to it either in-house or by buying them in to be able to analyse the parameters that are fed into the models?

Mr MURRAY: If I could answer that question in two parts, I guess firstly I do not think there has ever been any information withheld that we have asked for from either IPART or WaterNSW or any of the agencies. Secondly, council has expended quite significant funds on future investigation modelling and support for a potential new storage on Dungowan Creek. Council has purchased almost all the properties that might be affected by a proposed dam. In the event that a dam is not supported by the State we do have an issue with the dam safety at Dungowan Dam. The purchase of those properties forms part of the solution or ongoing solution with regard to the safety of the existing structure.

The solving of the problems associated with Dungowan Dam in its current state are beyond the resources of council. There are demolition estimates, there are upgrade estimates. I think at our last council meeting the council approved about another \$500,000 funding to provide one of the steps in terms of a safety solution; however, it is a very significant problem. The holistic solution for the valley is that Dungowan Dam or a new Dungowan Dam forms part of that solution that would certainly make much more water available to the irrigation industry. We have a very vibrant and active equine industry in Tamworth that currently generates around \$55 million to \$60 million revenue to the city and the region.

The CHAIR: Direct output or multiplied?

Mr MURRAY: No, that is direct output.

The CHAIR: So there would be a multiplier on top of that?

Mr MURRAY: Yes, definitely, but we are unable to even grow enough hay in the valley now to support that industry.

The CHAIR: Yes, we heard that.

The Hon. PAUL GREEN: That is shameful.

Mr MURRAY: We do have very viable, albeit small, irrigation farms in the valley. There are quite productive soils and I am sure you have heard more sophisticated arguments than I can put forward here today but the industry has been starved through the price of water.

The CHAIR: We will proceed now to questions unless you have anything further to add?

Mr MURRAY: No.

The Hon. MICK VEITCH: We will go back to the Independent Pricing and Regulatory Tribunal. As to the methodology that IPART uses to make the determination on pricing, have the Namoi Councils Joint Organisation or Tamworth Regional Council [TRC] seen the actual methodology, calculations or formulas used?

Mr MURRAY: Yes, I have. I guess our joint organisation probably does not drill down as far into the implications of the IPART determinations as TRC does. I have seen those but I guess the detailed discussion is taken up by council staff rather than elected representatives. It is a very complex issue and it is handled by our water directorate.

The Hon. MICK VEITCH: Have any the organisations you are involved with formally challenged IPART on the methodology and formulas; have they actually made a submission stating "This is wrong"?

Mr MURRAY: Yes, I understand Tamworth Regional Council has done that on a number of occasions and has been quite active. Our Director of Water and Waste, who would probably normally be part of

a submission, has pretty much given up. He has been pushing this wheelbarrow for the 13 years that I have been on council with basically zero success so he was reluctant to put in further submissions. He does not believe there is anything to be gained from it.

The CHAIR: Are those challenges available?

Mr MURRAY: They certainly would be, Mr Chair.

The CHAIR: Could they be made available on notice?

Mr MURRAY: Yes.

The Hon. MICK VEITCH: One of the inputs in the determination is expenditure of the costs by the various government departments, predominantly DPI and Water. Do you get an opportunity in the IPART determination process to drill down into the department's numbers to challenge those?

Mr MURRAY: I don't believe so but I would have to take that answer on notice.

The Hon. MICK VEITCH: Our previous witnesses from the Peel Valley Water Users Association Incorporated tabled a document this morning that relates to Minister Blair's proposed solution to the problem of excessive water usage charges in the Peel Valley. Are you aware of the model?

Mr MURRAY: Yes.

The Hon. MICK VEITCH: What is council's view on Minister Blair's suggested solution?

Mr MURRAY: Council is very keen to try to support this proposition because we believe that it is a significant gain in the holistic issues in the valley but for council to accept that it is going to impose an additional \$250,000-odd cost on its water users.

The Hon. PENNY SHARPE: Is that per year?

Mr MURRAY: Yes, and that was considered unacceptable by the council. Whilst there was a reduction in the overall water pricing, which was very much appreciated, council could not reasonably subject its water users to an extra \$250,000-odd a year in charges.

The Hon. PENNY SHARPE: How many ratepayers would have had to foot the bill for that cost? You can take that question on notice.

Mr MURRAY: I can take that on notice but I am thinking it is around 20,000 to 30,000 water users.

Mr SCOT MacDONALD: We talked to other councils and water authorities. Aside from issues about postage stamping and so on, are there restrictions imposed on you as a water utility that you would like the Government to address with respect to flexibility, trading water permanently or temporarily, cost and affordability and reliability that might assist?

Mr MURRAY: The view of Tamworth Regional Council is the basic formula that sits underneath pricing regime, including the water sharing plan, and we feel that a solution would be a complete review of the whole structure of pricing. IPART is only able to do what it is asked to do and we do not have an opinion on what IPART does, whether it is fair, unreasonable or otherwise.

Mr SCOT MacDONALD: So it is more around cost; it is not around your ability to get licensing, trade water, store water or bank water?

Mr MURRAY: No. We do not have any real issues with the way the Government works with us on any of those issues.

The Hon. RICK COLLESS: It is nice to see you, Mr Murray. When you say we need to review the structure of pricing of water, are you suggesting that other beneficiaries of water should also pay their fair share?

Mr MURRAY: Absolutely, yes.

The Hon. RICK COLLESS: Who would be those other beneficiaries?

Mr MURRAY: It is all the users of water downstream of the Peel Valley. It is probably well understood the relatively small amount of water that is used in the valley that the fees for that use are based on and there is a significant benefit that flows out in available water out the end of the valley in environmental water and other water that falls in the valley.

The Hon. RICK COLLESS: I guess it would be a challenge for IPART to try to establish the relative social benefit to the community, irrigators, councils and those paying all the charges now, but how could that be better levied?

Mr MURRAY: I think if there was some equity in the way the beneficiaries of that water were charged, some sort of a foundation that applied charges to all the beneficiaries, that would certainly have a dramatic impact on the water users in the valley.

The Hon. PAUL GREEN: It seems unfair that up here a pie might cost \$54 but down in Lachlan or Murrumbidgee it might cost \$2, although it is the same product. What are some opportunities for new water, rather than all this other stuff we are talking about? Do you have any comments on new water?

Mr MURRAY: I absolutely do. I think that therein lies a significant part of the solution. The council has invested around \$200,000. We engaged a consultancy group, Hunter Water—their current name is Hunter H2O—to do some water viability investigation for the future with regard to the city and the long-term water security of the city. Four options were considered in that report—and that is a report that could be made available to the Committee, if you wish.

The Hon. PAUL GREEN: Yes, if you could provide that.

Mr MURRAY: It is very comprehensive, but I must point out it is built around water use for the city as against for the other users in the valley.

The CHAIR: Water is water.

Mr MURRAY: There were things like potential supply water from Keepit Dam, albeit that it is from another valley. There was off-stream storage to take advantage of high flows et cetera. There was existing groundwater and a new Dungowan Dam. The State Government through Minister Blair's department is conducting a feasibility study as we speak into the potential feasibility of Dungowan Dam, and I really think that is an important factor in this whole debate. We can dance around the edges of a whole lot of things, but in my view we really should be looking at what available options there are in the future. I think the first thing is: Can Dungowan Dam be a potential water storage or not? If we can establish that, that should be a logical first step to understand where the solutions might come from in the future.

If we look at, potentially, Keepit Dam, the Namoi Valley is a highly productive part of the New South Wales economy. It has a very sophisticated and mature irrigation industry attached to it, and to have another large water user is probably not a great thing. The cost of pumping water, given that the Keepit Dam is downstream from Tamworth, would be quite significant to transfer the water back upstream. I think the implications of climate change—whether you are a lover or a hater—are happening out there and we seem to be getting different types of rainfall now. I think the need to consider storage of water in New South Wales is a much higher priority now than what it was 25 years ago. But I think all of those things point to this: If the council were able to utilise the water from a new Dungowan Dam, that would certainly make available quite a bit more water to the irrigators and make that sector of our community much more viable.

The Hon. RICK COLLESS: How far up the valley is Dungowan Dam?

Mr MURRAY: The existing dam—I was actually born and reared where the proposed new one is, and it was 35 miles in the old speak. I am not sure what that conversion is, around 60 kilometres.

The Hon. RICK COLLESS: Upstream?

Mr MURRAY: Upstream, yes. There is an existing pipeline that runs from it, only about a 500 ml pipeline. I think if there were to be a permanent system, that would need to be enlarged to 1.5 metres or something—I do not know what that number is—into the future. But there is an established roof to the pipeline. There are different sorts of water management structures. There are pressure tanks et cetera already in that line that are already hooked up to our water treatment plant to the city. It makes a lot of good sense if that is a viable supplier, but we need to understand the geotech attributes of that site. We have done some survey work on the capacity of the catchment. I think that needs to be confirmed and probably taken up a notch, which I am sure will be part of WaterNSW's work on what they are doing with these feasibility studies.

The CHAIR: Has the survey work you have done already been given to WaterNSW?

Mr MURRAY: All the work that we have done has, yes.

The CHAIR: It has been handed over.

Mr MURRAY: I believe so, yes.

The Hon. PAUL GREEN: It seems to me that if the New South Wales Government wants decentralisation to regional areas, it has to address the missing ingredient, which seems to be the capacity to have water. To be the food bowl of the world, there is still the missing ingredient of water. We talk like crazy on affordable housing, which is the hot topic at the moment, but out in regional areas the hot topic is affordable water.

Mr MURRAY: In the Peel Valley it certainly is affordable water. I currently spend a large part of my life working with potential purchasers from China. I have been over there quite a number of times and it is almost a labour of love for me to try to give our agricultural sector some real future. The opportunities are quite outstanding, but one of the serious challenges for New South Wales—and that is the part of Australia that I have an interest in—is the potential for productivity upgrades and productivity in agriculture. When you talk to a farmer about productivity, the first thing he talks about is water.

The Hon. PAUL GREEN: Absolutely—hence this inquiry. We realise if we want economic growth in regional New South Wales, the first ingredient is water.

Mr MURRAY: Absolutely. When we look at demands on the world's food production by 2050, we are looking for a 70 per cent increase in our production. Australia and New South Wales particularly should be capturing part of that opportunity, but—

The Hon. PAUL GREEN: There will be no-one to produce. Everyone is moving off the land. It is becoming a bad risk because they cannot be guaranteed of water or the costs of water.

Mr MURRAY: Yes. I think that water storage is something that we can do a lot more work on.

The Hon. PAUL GREEN: Hear, hear! That is why we are here.

The CHAIR: Councillor Murray, you just commented that you had an interest in the future of this area, which is where you come from, and you mentioned China. Have your council and regional joint organisation had formal discussions with people overseas as to what sort of products you might be able to supply to those markets?

Mr MURRAY: Absolutely.

The CHAIR: Earlier we asked the Peel Valley irrigators to supply us with a number as to what their farm gate output could be, but in the Peel Valley you have large industrial water users that hang off of agricultural production—such as abattoirs, for example.

Mr MURRAY: Yes.

The CHAIR: Could you supply us on notice with any work that your council has done as to what you believe the economic future could be if somebody—the State Government or Federal Government—could solve your water problem?

Mr MURRAY: Absolutely.

The CHAIR: As the Hon. Paul Green has indicated, that is the same water problem that the whole State has: not enough of it.

Mr MURRAY: We are in quite advanced discussions with the private sector in China and the government sector for things like another beef abattoir. Another party is really interested in a dual-plane chain abattoir. As soon as they hop on our website and do a bit of due diligence about the council and the region, up Bob's water, it is an ongoing discussion. Apart from our agricultural residents, it is not really holding the city back too much at the moment because we are very appreciative of the work that has been done at Chaffey Dam and also recognise that the council has contributed significant funds of its own into both the initial building at Chaffey Dam and the capacity upgrade. I think if we are going to take advantage of opportunities in the future, water is a significant one. Tamworth probably has a higher profile in food processing than any other regional centre in the State. I think we have the capacity, the relationships and the pool of qualified workers to support a much larger industry. That is something the council is very active on. Its economic development strategy is quite closely linked to it.

We have engaged in a futuristic project to upgrade our airport to international freight. We are having quite a strong dialogue. We have asked the State Government to partner with us in this project. It is probably a bit too complex for us to get over the line. It has the potential to be funded by the private sector. Again, because they have an ambition to build a dairy factory in the city as well as a dual chain abattoir, the question of water comes up. They say, "Can our business plan be underpinned by guaranteed secure water?" At the moment we are saying yes because we believe that the Chaffey Dam in its current state is short term. But at what price

because the council is only drawing a very small part of its entitlement. Whilst we are paying our licence charges for the 16,000 megalitres, we are only drawing about 4,800. With Minister Blair's proposed change in the pricing structure from fixed licence to the usage charge, council would almost have had an obligation to hold Dungowan Dam in storage and use every bit of Chaffey Dam water that it could.

The CHAIR: Just to justify the change.

Mr MURRAY: Yes, the charges that we pass on to our communities.

The Hon. MICK VEITCH: Has your council or your ROC conducted any investigations at all into managed aquifer recharge?

Mr MURRAY: No, we have not.

The Hon. MICK VEITCH: As well as looking at water usage we are also trying to find innovative ways of storing water. It has been put to us that not all aquifers have this potential. We are looking at a project this afternoon with Orange City Council. There are a lot of variables in this, such as geology. Has there been any mapping of the aquifers in this part of the State?

Mr MURRAY: Yes, there has been a fair bit of work. If I could take that on notice and bring forward some relevant information. We have done some very preliminary work on that.

The Hon. MICK VEITCH: I am happy for you to do that, thank you.

The CHAIR: This inquiry is planned to conclude in November, which means it gives us enough time—when we take on board evidence from witnesses that we did not already have—to develop more questions and perhaps develop some recommendations we can take to the Government. Anything that you could provide would help. Even though we may ask you a single question, if you think, "They should have asked me this and this" I urge you to give us every bit of information you have. With the size of your council and the sharpness of your focus on this water issue it sounds like your evidence and that of your council will be very valuable to us.

Mr MURRAY: Yes. Could I put something on the table? In 2016-17 Tamworth Regional Council is currently paying \$858,076 for its licence and for access to average use of water, which is approximately 4,800 megalitres a year. If that water was secured in the Murray the cost would be \$40,444.

The Hon. PAUL GREEN: Same product.

Mr MURRAY: And cheaper in the Murrumbidgee. It is a serious anomaly. We are very happy to work with whoever we are able to work with to try to find a solution. Whatever we are able to bring to the table we are certainly happy to bring, but I do not think we can reasonably go indefinitely into the future. These charges are drawing further and further apart.

The Hon. PENNY SHARPE: I know how much work councils do in looking at future proofing their communities and I congratulate you on that. You have indicated you have done a lot of work. Have you done any work based on scenarios that show less rainfall in the future as a result of climate change? And if you have any of the modelling on that I would really appreciate it.

The CHAIR: Good question.

The Hon. PENNY SHARPE: You do not have to answer now. I would really appreciate you giving that to the Committee.

Mr MURRAY: The simple answer is we have collected some data on that. And the short answer is—and I am happy to bring the longer answer—the modelling suggests in this part of the State the rainfall will be similar. But it will be different in higher intensity events. That supports the council's argument for trying to get a bigger storage.

The Hon. PENNY SHARPE: Incredibly useful, because it is different and we need to be looking at those partners. Thank you.

Mr SCOT MacDONALD: You compare yourself to the Murray and Murrumbidgee. We are trying to find solutions here. I do not think that is a fair comparison. You are talking about 10 times the amount of water and 10 times the amount of water users. We are trying to get recommendations to government. You have a much smaller system. The charges are going to be—

The CHAIR: Would you like to take a position at the witness's chair so you could put your opinions on record, or is there a question?

The Hon. PAUL GREEN: And we will ask you about Medicare.

Mr SCOT MacDONALD: I know everybody is deeply offended, but we are not comparing apples with apples.

Mr MURRAY: In response to your question I pose another question. Do you think the same arguments that you would bring forth should apply to groundwater?

Mr SCOT MacDONALD: At the end of the day we come to user-pays. If you are ratepayers—

Mr MURRAY: Groundwater charges are for the west of the divide passive same pricing, levied by your Government.

Mr SCOT MacDONALD: But we still come back to user-pays on that system, as a rule.

Mr MURRAY: I support Mr MacDonald in his statement. I understand the situation in this State but I think the solution does not lie in us arguing about formulas or anything. The issue here is the capacity of water stored; that is what the issue is. If we can come to grips with some solution relating to the capacity of water stored the whole problem will go away.

Mr SCOT MacDONALD: You are trapped by legacy.

Mr MURRAY: Yes.

The CHAIR: Councillor Murray, thank you very much for coming today. The Committee will look forward to questions asked on notice, as yet unasked, but I think you have a fair idea of where we are going with all this. Any information that your organisation has, any of the work that you have done that you feel you can make available to us would be greatly appreciated. Thank you for coming.

Mr MURRAY: Thank you for the opportunity.

(The witness withdrew)

(Short adjournment)

STEVEN CAROLAN, Vice Chairman, Namoi Water, sworn and examined

MARK HAMBLIN, Chairman, Namoi Water, affirmed and examined

JON-MAREE BAKER, Executive Officer, Namoi Water, affirmed and examined

The CHAIR: Before we commence with questions I offer any or all of you the opportunity to make an opening statement.

Ms BAKER: Namoi Water would like to propose some principles to be considered by the Committee as fundamental to the process of reviewing water management both now and into the future. Water planning and management must include funding and adequate assessment against proposed targets. Regional datasets rather than desktop and surrogate information must be utilised in planning for future water management.

Methodologies for water planning and management are not always a one-size-fits-all approach. Community and water users need certainty that government intervention during a planning period will be minimal. Continued water reform processes impact negatively on regional communities. Government must recognise that fatigue in rural communities resulting from water reform is at its peak. Further to the adequacy of water storages inquiry we would like to highlight a few of the recommendations that we thought were particularly relevant and ones that we had some issues that we would like to table with you today. Recommendation 7 states:

That the NSW Government review the environmental flow allocations for all valleys in New South Wales and make representations to the Commonwealth Government for it to review the environmental flow allocations for New South Wales valleys in relation to the Murray Darling Basin Plan.

This issue in particular is fundamental to New South Wales in comparison to other basin States. New South Wales has already developed a number of water sharing plans and part of those plans included planned environmental water. We are years ahead of other basin States in relation to how we set out planned environmental water. The basin plan provides that the planned environmental water in the water sharing plan that was in place at 2012 will be protected. We see that there is a significant risk to locking in a 2012 approach to planned environmental water. We must have flexibility. Currently, the implementation plan of the Murray-Darling Basin Plan and the proposed position statements that are available on the Murray-Darling Basin Authority website do not provide any flexibility in that approach for planned environmental water.

The CHAIR: You spoke about a recommendation 7. That is from which document?

Ms BAKER: The adequacy of water storages inquiry that was undertaken.

The CHAIR: The State Development Committee report?

Ms BAKER: Yes. Primarily what we are asking is that there must be flexibility in planned environmental water. That is one of the recommendations that we felt was quite relevant in relation to that last inquiry. Recommendations 10 and 11 are that the New South Wales Government fund and implement computer-aided river management and water metering projects across New South Wales. As you would know, the northern basin has rejected the metering business case because it was a poor business case and fundamentally there were significant flaws associated with that business case.

We were quite successful in getting government recognition of some of those difficulties associated with the business case. They have come to fruition in the southern part of the State as their metering charges are now continuing to rise and the savings resulting from pattern approved meters is certainly not justified. We support computer-aided river management; however, in terms of northern systems our over-delivery is less than 5 per cent. If you can get a saving of water delivery out of that 5 per cent out of the northern systems we do not see that it is economical, nor is it a justification of the need for computer-aided river management.

The CHAIR: Because it would be insignificant?

Ms BAKER: It is insignificant, yes. And that is right across most of the northern systems. I think it comes back to our principle approach where one size does not fit all. The metering business case and computer-aided river management is a really good example of that approach. We would like to note that the Government has recognised that and acted on that as part of removing the requirement for the metering business case to be applied in the north and transferring that funding to on-farm modernisation projects, which is a far more sensible outcome.

The issue with computer-aided river management is that it provides a significant benefit to the Commonwealth Environmental Water Holder. If that benefit and the user pays principle apply then the

Commonwealth should fund computer-aided river management because it does provide greater transparency on how environmental water is actually utilised and the benefits associated with ecological outcomes. We would suggest in recommendations 10 and 11 that there is recognition that those particular programs did not necessarily suit a northern system. Functionally, the reason why those projects got so far is that there was extremely poor consultation with stakeholders as those business cases were being developed. As a principle we should have higher level of engagement and transparency.

The Hon. RICK COLLESS: Does that apply in this part of the world rather than to what happened in the Murrumbidgee?

Ms BAKER: The initial business case was for a State priority project for Commonwealth-funded meters across all of New South Wales. What there was not as part of that business case was a recognition that if you believe that there was a saving from pattern approved meters you would then also need to go back and review the diversion limits that were applied through achieving sustainable groundwater entitlements because the modelling was based on that same previous metering. So there was a lack of recognition of some of the technical detail associated with that business case. Functionally, the reason it failed was because there was extremely poor stakeholder engagement at the development stage of the business case. Recommendation 18 reads:

That the NSW Government establish an Integrated Water Management Taskforce comprised of representatives of each of the key water user groups and government, with the following roles:

- to drive innovation in responsible water conservation, use and management, and
- to build collaborative relationships and promote the sharing of knowledge and expertise between and within water user groups across New South Wales.

We think that recommendation has to be acted upon immediately. We have made several representations to New South Wales DPI Water and through the NSW Irrigators' Council. With the recent restructure and transformation of DPI Water we have lost a significant amount of technical capacity and therefore significant resources at a critical juncture in our negotiations with the MDBA on the basin plan.

That exposes New South Wales to substantial risk because the implementation of the basin plan and some of the documents that will come forward in terms of prerequisite policy measures and the position statements for the basin plan implementation all require a detailed level of knowledge and understanding of the New South Wales legislative framework. Functionally, those staff have actually been restructured to an extent where we hold significant concerns about whether or not government can actually represent New South Wales adequately in terms of getting outcomes. It is not a reflection of the staff that are currently left there.

The CHAIR: You are saying you fear that a lack of resourcing will lead to New South Wales being disadvantaged in those negotiations?

Ms BAKER: Substantially disadvantaged.

The Hon. MICK VEITCH: It is not just resources; you are talking about corporate knowledge?

Ms BAKER: Yes, I agree with that. We would like to see some clear written policy position statements from New South Wales on the Murray-Darling Basin Authority implementation plan. We have yet to see those. We know that NSW Department Primary Industries Water has been working hard on some of those documents but we are at a stage with negotiations of the basin plan that it is very important those documents are provided with a high level of transparency for stakeholders.

In doing so, the task force that was recommended from the previous inquiry would have fulfilled a really important role as we have had the restructure and transformation. It could have provided a level of corporate knowledge that would have filled that gap. We would certainly encourage this Committee to see that implemented as a matter of urgency and that the New South Wales Government commit to investing in water efficiency research and development to inform an integrated best practice approach to water management and to further advances in this area. Functionally, New South Wales should write its own destiny in relation to water management and planning.

The CHAIR: Yes!

Ms BAKER: At the moment we are very restricted to the Murray-Darling Basin Plan. I think there are major challenges associated with New South Wales actually not undertaking its own research, with not having functional integrated natural resource management resources available to us. I think we really need to reconsider how we actually fund that research, particularly on a regional scale, because that data and information informs how we are meeting our State targets. I am not really sure how the regional water strategies are progressing.

I know the Hunter was the first cab off the rank. We would be very keen to see those regional water strategies released.

Obviously the Namoi has the potential for 27 coalmines and eight coal seam gas fields so we would like to see that we were obviously a high priority for a regional water strategy to be delivered to our region. So that is it for our opening statement. We have a formal submission that we would like to make. Just in relation to Peel water pricing, whilst it does not necessarily affect the Namoi, we would like to make a comment that the Namoi has the second highest prices in the Murray-Darling Basin. The reason for that is that we have two storages. Functionally, legacy assets, users cost shares and community services obligations all need to be considered in light of government policy positions.

Chaffey Dam was never built with the intention of full cost recovery but yet we have a situation now where you have a small number of users, meaning that full cost recovery here, where we are not covered by the legacy assets of the southern dams, means that our pricing is substantially higher. So it is not a level playing field. The fact is you are not comparing apples with apples because we actually do not have that legacy standing, so our dams here are on full cost recovery and so the pricing is substantial. We believe that government needs to actually make a decision in relation to Peel pricing because this ongoing uncertainty for a small number of users provides a significant problem that we believe has a solution.

Functionally that is a result of addressing the legacy asset issues, redefining user cost shares and looking at potentially an 80:20 fixed variable pricing for the high-security user but with a community service obligation which would provide Tamworth Regional Council with some price relief. We would strongly encourage that there are some solutions that could be considered; they were certainly tabled by a previous review undertaken by Mr Rob Jarrett on behalf of the New South Wales Government—all of those issues and solutions were tabled under a previous review and I would encourage—

The CHAIR: Do you know when that was?

Ms BAKER: In 2015 roughly.

The CHAIR: And Jarrett was the author, was he?

Ms BAKER: Yes, Rob Jarrett on behalf of Premier Mike Baird or it might have been Deputy Premier Stoner. Those are our opening comments. Welcome to Tamworth and thank you for taking the time. We will contribute our formal submission.

The CHAIR: Do you have your formal submission here in hard copy?

Ms BAKER: I do but I have edited it so I will forward it to you.

The CHAIR: We will resolve to receive that as a late submission.

Ms BAKER: Yes. I will table it formally today in hard copy.

The CHAIR: We will consider it tabled but it will be updated and you will give it to us formally. That is fine. Does anybody else want to say anything?

Mr CAROLAN: Just briefly. Thank you for the opportunity to speak in front of everyone. As an irrigator in the lower Namoi I rely heavily on the technical expertise of our executive officer. From a water user's perspective, generally speaking anything that derives efficiencies in water use is a good thing. A significant amount of money is being spent on modernisation and those sorts of things on a farm level at the moment, and I think as much concentration needs to be put on how it is managed at the higher level, at State or dam level. There needs to be accountability and an ability to quantify gains made. I am all for efficiencies—and I keep wanting to be more efficient every year—and our ecosystems need to be maintained and water needs to be delivered to those, and that is fine as long as they are accountable and quantified.

The CHAIR: What do you produce?

Mr CAROLAN: I view myself as an irrigator, and I will produce whatever I can to get the best return for that megalitre. More often than not it is cotton, but at the moment chickpea prices are very high so I will do grains as well.

The CHAIR: How much of your holding is irrigated or set up for irrigation?

Mr CAROLAN: Two-thirds.

The CHAIR: How much of that have you used in the last few years? Have you been able to utilise the whole lot?

Mr CAROLAN: I have run a 100 per cent rotation. We will have 50 per cent of our irrigable area in, then into the other 50 per cent each year. But, unfortunately, in the last 10 years, that has been one-third to a half, a quarter, with availability water.

The CHAIR: Towards the end of this session we will probably ask the same sorts of questions of you as we have asked other stakeholders, which will include: What could you potentially produce if the water equation was solved for you? We will not go there just now. Mr Hamblin, what do you produce? Are you a cotton producer?

Mr HAMBLIN: Pretty much the same as Mr Carolan—whatever gives the best return per megalitre. That is what we need to determine. I assume the community would want us to get the best return for that megalitre, and cotton predominantly is.

The CHAIR: Given that the environment is protected, I think the community probably would like you to produce as much as you could.

Mr HAMBLIN: That is why we choose our crops.

The CHAIR: That creates jobs and economic benefit for the whole of the community. Where are your operations located, Mr Carolan and Mr Hamblin?

Mr CAROLAN: I am between Wee Waa and Burren Junction, about 40 kilometres west of Wee Waa.

Mr HAMBLIN: Between Boggabri and Mullaley.

The Hon. RICK COLLESS: Mr Carolan, you commented on the ecological aspects of water usage and said everyone supports that. Do you think there is a case for the environment paying for the share of the water that is taken, particularly when it has been transferred from what was previously productive water?

Mr CAROLAN: I guess I view that as user-pays. We pay and it is possibly an interesting aspect to look at, particularly now that the Commonwealth water holder has such a specific licence that can be seen, viewed and ordered—yes.

Ms BAKER: The challenge is that, if you look at environmental water holdings, a lot of it for New South Wales is planned environmental water so the challenge is how you make that a cost comparison. That water was removed from previous consumptive use to achieve an environmental outcome, so currently that water continues to be delivered as base flow or as not extracted from the system, so how you functionally transfer that into a cost is, I think, quite a complex scenario.

The Hon. RICK COLLESS: It is a very good question to ask. Obviously we do not have those answers, but if there is a benefit to the wider community—this does not apply only to water but also to native vegetation and a whole swag of other natural assets—how should we make sure that those assets contribute to the cost of having those assets for the benefit of the wider environment? How are they compensated for by the community at large?

Ms BAKER: Could we suggest that as part of understanding the value of the ecological outcomes as a result of that water going to the environment that our key principle at the beginning is that we need to have informed monitoring and evaluation to make sure that that environmental need is actually justified? We have a number of examples in water sharing plans where environmental requirements were based on assumptions of current research, and over 10 years that has changed. Unfortunately in water sharing plans in New South Wales, a lot of the monitoring and evaluation was funded for the first five years and then discontinued, so that has made a significant gap in actually reviewing water sharing plan outcomes.

As we sit today at a 12-year mark for our water sharing plan there is minimal data, but there has been a significant cost of environmental water, consumptive water removed, but the funding was not allocated for a long enough period. Now we have a situation where for our supplementary water we are undertaking a three-year study the New South Wales Government has funded to assess whether or not that requirement planned as part of the initial water sharing plan rule actually is fit for purpose or justified today. There is a huge challenge there, and I think as part of costing out environmental water we really should be focused on whether we have collected enough information.

The CHAIR: On a point of clarification, before we go on, you use the term "we": Do you mean that Namoi Water is carrying out that study?

Ms BAKER: No, New South Wales Government is currently undertaking an assessment of the value of pre-spring pulses to native fish.

The Hon. RICK COLLESS: We are talking about outcomes rather than ideology, are we not? Ideologically, everybody says that if there is more water going down the rivers the rivers must be more healthy. That is the ideology. I think this is possibly a case for charging for environmental water or for the environment to be making a contribution to the overall cost recovery, because if they were paying for it they would—

Ms BAKER: Be funding—

The Hon. RICK COLLESS: They would be funding the research to make sure that water is being allocated in the right way. The same thing applies, as I said, to native vegetation, national parks and all those other environmental assets. Do you think there should be a monitoring program in place for those assets to ensure that the cost that is incurred, be it a cost that you ultimately end up paying because of your user-pays principle in full cost recovery, is being well spent? If they are making a contribution to it, surely they are going to do some better monitoring to make sure that cost is being well spent.

Ms BAKER: Water users would suggest that through our water charges and funding of DPI Water we have paid for appropriate monitoring and evaluation that has not been delivered.

The Hon. RICK COLLESS: For the environment or for productive?

Ms BAKER: For environmental water.

The Hon. RICK COLLESS: You do that on your own farms, surely. You know exactly where every megalitre of water went and what it produced. The environment really should be doing the same thing, should it not?

Ms BAKER: Part of the water sharing plan is that there are charges levied for water licence holders for monitoring and evaluation as part of determining appropriate water management plans, but it does not appear to have been consistently applied in functional research projects that deliver outcomes. A really good example are fishways. Currently New South Wales is undertaking a statewide review of fish passage. Namoi in the last 12 months has just completed the Mollee Weir fishway at a cost of \$9 million.

The CHAIR: We have heard about that.

Ms BAKER: That is a substantial impost not only on the New South Wales Government but also on irrigators, because it is shared 50-50 user-government cost share. We would like to see greater transparency and policy positions from fish passage around what is acceptable. Is it 90 per cent fish passage, or is it 50 per cent fish passage? We have the case that Mollee had a European fish ladder on it that was not functional, and Gunidgera Weir had a small fish passage that certainly was not functional. Both structures were built with fish passage. It is a really good example. In terms of our supplementary access that was significantly removed as part of the water sharing plan, most of the impact on native fishers comes both because Mollee Weir and Gunidgera Weir are not functional fish passages. If you actually had greater fish passage, the benefit of pre-spring pulses, existing 50-50 water sharing or the current share to the environment before the water sharing plan is actually sufficient to meet all native fish flow requirements. Those are the types of things.

That is a substantial amount of water that delivers a significant economic benefit to this valley in supplementary access. At the moment it is currently shared under a trial basis 50:50 all year round. Under the water sharing planning, based on limited information and limited studies on the benefits of pre-spring pulses, we were restricted in our access during July, August, September and October to 10 per cent, and 90 per cent went to the environment. That is a substantial economic cost to our community in reducing our timing and access to that water without fundamentally reducing environmental flows.

The CHAIR: With no confirmation that those pre-spring pulses had any impact. Am I right in assuming that?

Ms BAKER: Yes. The studies that were undertaken in the Namoi during the life of the water sharing plan could not find a direct correlation. We are undertaking quite specific studies right now to determine whether or not pre-spring pulses do deliver a benefit to native species and in particular in that lower section of the river below two weirs. Functionally would you not say that the two weirs are the greater barriers to native fish outcomes in the Namoi? It is not hydrology; it is actually related to infrastructure. Currently the requirements of 90 per cent fish passage for that infrastructure to meet that very high benchmark in fish passage is not as transparent as it could be. I think the costs associated with putting in that level of infrastructure are prohibitive for government to consider in the future. We need that review to be delivered by both DPI Water and DPI Fisheries. One of the single largest issues for us as water users is that the restriction in our timing of access has had a significant economic impact.

The CHAIR: What is your expectation of the release of that report?

Ms BAKER: It should have been released by now. Are you referring to the statewide review on fish passage?

The CHAIR: Yes.

Ms BAKER: I would have expected that, given it has been a bit like Menindee Lakes—studied and documented over a long time—we hope that that report should be released in the short term.

The CHAIR: Perhaps that is something we could ask DPI Water.

Mr SCOT MacDONALD: Just a clarification: Do the entitlements acquired by the Commonwealth water holding retain the same characteristics? Are they paying the fixed usage charges?

Ms BAKER: Yes, they are.

Mr SCOT MacDONALD: They continue to pay all of that. I go to the timing; I think maybe you and I have talked about this. Why do we not seem to get any progress on this? Why is DPI Water so rigid in its timing schedule? Is it just conservatism? Is it risk? What can we do to progress this because it does not seem to have moved anywhere for years?

Ms BAKER: At the moment we are under a trial until 2019 that was implemented by the current New South Wales Government, in conjunction with further studies. We do have 50:50 sharing all year round now under a trial basis. The issue is that DPI Water has been fantastic in providing information and seeking clarity from DPI Fisheries in relation to what flow thresholds are required to be met within the Namoi system. Most of the flow thresholds—all except one for one day—are met by 50:50 flow sharing of supplementary access. Now we just need to determine whether or not the original hypothesis of pre-spring pulse benefit to native fish is something that is worth pursuing. That is what the study is fundamentally doing.

Mr SCOT MacDONALD: Is there any cost benefit around this, do you think?

Ms BAKER: There will be socio-economic assessment included in the final decision. But I think the functional issues around the concurrence arrangements between Office of Environment and Heritage [OEH] and DPI Water provided some really significant barriers to being able to move forward not just on this Namoi rule change for planned environmental water but across the State. There are a number of valleys each with their individual issues. I think it is part of the concurrence arrangements that where it does not change your capped diversions it should be a process. If it meets all those criteria the water Minister can approve. If it changes capped diversions or the meaning of your current limits it goes through a second step and requires additional approval from the Minister for the Environment. I think we need to reshape how some of the processes work internally and how the two agencies operate.

Mr SCOT MacDONALD: Give DPI Water a range and if it goes above that you have to refer to OEH.

Ms BAKER: Correct. At the moment I am quite sure an informal arrangement is working. However, it does not appear in this case where you are not impacting on increasing your limit of take and you meet a level of criteria. The bigger issue for us now is that we do not just have to meet the OEH requirements; we also have to have a second lot of environmental assessments through the MDBA. I think that part of your review charter is to look at the requirement. The duplication of environmental requirements and accreditation from the MDBA is going to place a significant cost burden on the New South Wales Government in the future, and certainly will hamper the ability of government to make effective water management and planning decisions.

Mr SCOT MacDONALD: Should that be full delegation, do you think?

Ms BAKER: A really good example is New South Wales handed over their integrated quantity and quality models [IQQMs] to the MDBA for use as the base models for the basin plan.

The CHAIR: Sorry, their what models?

Ms BAKER: I will give you the correct version—their integrated quality and quantity models. And then the farmers version is the impossible to query and quantify models. Functionally, the base models provided to MDBA are the same models. To accredit that updated information to current conditions from DPI Water the MDBA wants to take over 12 months of new accreditation process. We have been asking as part of the Northern Basin Review that the updated current conditions model for both the Gwydir and the Macquarie are included as part of the MDBA Northern Basin Review.

The CHAIR: All at the same time?

Ms BAKER: Yes. Functionally for the Macquarie the outflows of the Macquarie marshes are significantly less than what is included in the current IQQM model that the MDBA are utilising. MDBA have resisted that and they have said that accreditation would take a 12-month process and it has not been agreed to, which was their excuse for not accepting new information. That is the type of example of just one issue that is now playing out and tying up the resources of DPI Water constantly. Their ability to function as a department and an agency with their current resources under the restructured organisation is extremely challenging.

The CHAIR: You are saying it is further exacerbated by the requirements that MDBA is placing on them regarding when these assessments need to be done?

Ms BAKER: MDBA have not necessarily engaged as enthusiastically as one might expect in resolving some of these issues in the past. I believe that there has been some progress made in the last six to eight months. However, we are now nearing 2019. There is an expectation that we will have water resource plans in place. New South Wales I think is about to face some significant challenges because we are developing water resource plans without having made clear policy decisions around the implementation positions of the MDBA in relation to implementing the basin plan. A really good example is about protection of planned environmental water. All of those agreements have to be in place before you can develop a water resource plan. Our fear, our real risk to New South Wales is that we are now developing water resource plans and we will get to a stage where a lot of those agreements might be changed. It might require additional resources and modelling which is then a waste of time.

The CHAIR: Because it is too late?

Ms BAKER: Because it is too late to make those adjustments. So the Lachlan, the Namoi, the Macquarie and the Murrumbidgee are four main valleys that are at risk as a result of some of these issues not being resolved. I am sure every valley has issues; I am just suggesting that particularly for those valleys with a high volume of planned environmental water these are the issues that are front and centre in relation to water resource plan development.

The Hon. PENNY SHARPE: You spoke about the monitoring charges that are within what you pay but they are not being delivered. Is it a Commonwealth and a State issue in relation to monitoring of the outcomes or is it primarily a State issue? Could you unpack that for me a little, please?

Ms BAKER: Primarily it was funding associated with the development of the water sharing plan, so it was a State commitment and it was funded by water users through their water use charge and also through the environmental requirements. There was funding both through DPI Fisheries, the Office of Environment and Heritage and DPI Water. So each agency had a responsibility. Unfortunately—and I will probably get the acronym wrong—the integrated environmental management fund was not consistently applied throughout the 10-year water sharing plan.

The Hon. PENNY SHARPE: You have had no recourse to really deal with that issue other than telling us and continuing to tell people. Where are you getting a hearing on these issues where you feel that anyone is actually listening?

The CHAIR: Apart from here?

Ms BAKER: Absolutely. We appreciate the opportunity.

The Hon. PENNY SHARPE: I mean specifically within the government departments that are in charge of overseeing this entire system.

Ms BAKER: There is a recognition that there is a significant gap in the information available to properly review a lot of those requirements that were developed at the beginning of the water sharing plan process. Unfortunately, for most communities most people felt that the development of the water sharing plans was going to be the end of the water sharing plan process. Unfortunately, for us it has meant that we have not had a proper review mechanism prior to the development of the basin plan. The MDBA assumptions of the water sharing plans has been the basis and a given. Not being able to have any review mechanism has meant that now in developing reviews and looking for information communities are probably going to be extremely frustrated.

A really good example in the lack of follow through in terms of water sharing plans is that zone 1 in the upper Namoi groundwater was to receive a five-year review. A bit of background: Zone 1 lost 95 per cent of their entitlement as part of achieving sustainable groundwater entitlement. There was no five-year review. Those farmers, some of whom had developed significant infrastructure as a result of their licensed entitlement, have now not had that review. Because of the fixed sustainable diversion limits, or SDLs, in the basin plan they will now have a significant battle to have a review. Because DPI Water is functionally giving us the platform that the

SDLs are now fixed. I think they are willing to look at those issues. Certainly the DPI Water staff that we deal with really provide a high level of service, but I certainly think that they are really challenged under their current restructured organisation with the resources of people on the ground and expertise and knowledge to actually deal with a lot of these issues.

Zone 1 is a really good example of where the sustainable yield methodology does not work. We should be looking into aquifer recharge management, which is water use based on rainfall. That is not putting water down into aquifers. That is quite a separate process to what you have been looking at. It is actually where you have a high level of connectivity between groundwater and surface water systems you actually manage them associated with rainfall. Zone 1 have been advocating for that for over 10 years. Now is their opportunity to have a review of that and they are probably not going to get a very good hearing under the current implementation of the basin plan.

The CHAIR: Geographically where is zone 1?

Ms BAKER: Quirindi. The challenge is that most of the people that hold most of the licences that are left are now holding on to what remains of a 100 megalitre licence. They have got five, so they are spread across quite a number of licence holders and they are unwilling to trade those licences. The people who do have infrastructure and would use those licences cannot get access to water. They proposed a range of options that I think we should be really looking at in that they are not actually impacting on their sustainable yield because their usage is low because effectively now they have all these sleeper licences.

Mr SCOT MacDONALD: What is the barrier there to trade? It is not technical but economic?

Ms BAKER: No. Well, economic. They are going to hold on to what is remaining as part of their superannuation plan because it is not significant enough for them to continue to irrigate, so they have sold their infrastructure. They probably irrigated lucerne when it got dry and now they functionally do not do that. Those enterprises that previously would have been irrigated during dry climatic periods now do not utilise the water.

Mr SCOT MacDONALD: Do they annual trade?

Ms BAKER: No, there is not a lot of annual trade. What there is comes probably more so from other sources.

The Hon. MICK VEITCH: I have three separate themes of questions. Firstly, has your group conducted any work on managed aquifer recharge? If so, what is your view about it?

Ms BAKER: As to managed aquifer recharge as proposed further out in western New South Wales and the studies that have been undertaken there, our view is in the framework for assessing the appropriateness of that you have to have good regional knowledge and regional monitoring and the assessment needs to be based on no third party impacts. Quite similar to an aquifer interference policy, some of the framework and structure for that particular policy document could be utilised in how you would look at approving aquifer recharge. That is quite separate to the proposal for zone 1 where they have a high level of connectivity between surface and groundwater where they are looking at available use based on rainfall. In your example it is actually storing water down in deep systems.

Our issue in relation to this specifically is that the understanding of the geological structures has to be quite high. We do not support reinjection. In particular, we know that there was some discussion early on in terms of developing reinjection for coal seam gas wastewater. We certainly do not believe that the knowledge and understanding of the interconnectivity between the deeper systems and the Great Artesian Basin and the systems above is well enough understood to allow reinjection as opposed to aquifer recharge management.

The Hon. MICK VEITCH: Essentially you are saying that the mapping of our aquifer systems is inadequate?

Ms BAKER: No, what I am saying is you would have to have very specific regional data and very good geological structure information before you proposed that and you would have to have in place good monitoring. A really new piece of research that is becoming available is water age testing using tracer markers. That work is hopefully going to be published in the next month or so.

The CHAIR: Do you know who is doing that work?

Ms BAKER: It is being undertaken by the University of New South Wales and Bryce Kelly is the lead researcher. I think that particular piece of work would be very interesting to this Committee to have a look at because it opens up some really new information that informs the model constructs. All groundwater model constructs were based on a level of knowledge and information available to us from core sampling and information that was available on the structures themselves.

But we also know now that there may be some changes to the conceptual models associated with connectivity between, say, the Great Artesian Basin and alluvial systems. We need to make sure that we are using that new information available to us before we actually look at a framework for how you might use it. Fundamentally, as long as there are no third party impacts, there are good assessment processes and the framework is right, then it should be acceptable. Again, one size does not always fit all. It may not work here but it certainly may work elsewhere.

The Hon. RICK COLLESS: I ask a follow-up question on the aquifer recharge issue. There is a difference between aquifer recharge and deep injection?

Ms BAKER: Yes, reinjection.

The Hon. RICK COLLESS: So reinjection mainly talks about polluted water or unusable water?

Ms BAKER: And you are looking at a sealed geological layer—

The Hon. RICK COLLESS: Aquifer recharge may not be sealed?

Ms BAKER: Whereas aquifer recharge is water that you are looking at being able to reuse and re-extract.

The Hon. MICK VEITCH: My second line of questioning relates to IPART.

Ms BAKER: How long have you got?

The Hon. MICK VEITCH: Feel free to take the question on notice and get back to the Committee with whatever you cannot answer. Essentially there are two elements to my question around IPART. One is the methodology that IPART uses to determine user charges and your views around that and the second one is the department's expenditures and whether or not there is enough rigorous analysis of the numbers that the department uses?

The CHAIR: Have you addressed that in the submission that you are going to make?

Ms BAKER: Not in as great detail—

The CHAIR: There might be an opportunity there—

The Hon. MICK VEITCH: To take that on notice.

Ms BAKER: I will take that on notice. I would encourage this Committee to review IPART's consultation process and method for determining pricing. I think under "Implementing ACCC rules" there is a really good example where IPART has now removed the unders and overs mechanism that was implemented by the ACCC and they are requiring us to pay that back in a four-year determination.

The CHAIR: Really?

Ms BAKER: Unders and overs was proposed by the ACCC. It was a very long-term mechanism—

The CHAIR: Yes, as a way of smoothing the market.

Ms BAKER: —to smooth pricing. Functionally, IPART has ruled now—and I guess we are waiting now on its final determination—that it will remove unders and overs and we will be paying that back in the four-year determination, which means a \$2 price increase. Most of our submission this time to IPART was functionally around how it conducts its inquiries and we think there are significant flaws associated with the IPART process, into which I would encourage this Committee to make some really valuable input. I think the issue around user government cost shares will be reviewed in the longer term and I believe it is set down for the next pricing determination.

The CHAIR: We will be taking evidence from IPART on 5 June so we would appreciate anything before then. Could we have a copy of your submission?

Ms BAKER: Yes. Effectively, IPART does not hold either DPI Water or WaterNSW to account where they do not meet the requirements. They conduct annual audits, they undertake their determination and Mr Hamblin has a great example of where the pricing determination actually has not been implemented according to the rules set down in that particular year. We actually are required to go to the Water Ombudsman to seek relief.

The CHAIR: Really?

Ms BAKER: Mr Hamblin has firsthand experience with pricing; we do not have that long—

The Hon. MICK VEITCH: I did notice that Mr Hamblin and Mr Carolan sat bolt upright when I mentioned IPART. Perhaps Mr Hamblin could briefly give us his expertise in this area?

Mr HAMBLIN: I do not thank Ms Baker for reminding me of that part of my life; it is a part I like to forget; it was a very drawn-out process. There was a determination with groundwater that you cannot increase it by any more than 20 per cent plus consumer price index in any one year, which is still a significant impost on irrigators. The rationale was that your bill could not increase by that much but it did not account for whether you used less water or more water. If you did not use any water your bill could still increase by 20 per cent.

The Hon. MICK VEITCH: Even though you did not use it?

The CHAIR: That is what is called bureaucratic rat cunning, mate?

Mr HAMBLIN: IPART looked at it and they said that the department implemented it incorrectly; it was not how they initially expected it to be interpreted. They went to the Minister and I went to the Ombudsman because nothing was happening; nothing happened and subsequently they corrected the bill, but it was a long drawn-out process.

The Hon. MICK VEITCH: So nothing happened after you went to the Ombudsman, is that what you are saying?

Mr HAMBLIN: Something happened after I went to the Ombudsman.

The Hon. PAUL GREEN: Was it a hard process trying to get through to the Ombudsman?

Mr HAMBLIN: No, I could get through to the Ombudsman but I tried to do it through the department where you expect to get your billing issues addressed, so it was about a three-year process or something.

The Hon. PAUL GREEN: It was a long process.

Mr HAMBLIN: There were multiple spreadsheets to prove that they were wrong. The issue with charges for an unregulated water user is that we pay \$4.50 or \$4.70 a megalitre or something of pumped, once out of our creek in four or five years, and I am looking at bills getting close to \$20,000 a year when we get no water. I asked the question of IPART: "What do we get for what we are paying?" There are a couple of gauges on the creek; there is no service. They do anything; they don't read meters; they don't do anything. All the towns below us—Boggabri, Narrabri, Wee Waa, the SES—everybody uses those gauges in floods to determine what sort of flood is coming so therefore I think the community should be bearing some of that cost and the MDBA probably uses that data as well for their modelling. It also seems to come back onto the irrigators. I do not think there is any way that they could substantiate the charges. I do not think that IPART holds the department to account.

The Hon. MICK VEITCH: For its charges?

Mr HAMBLIN: For the money they are getting from just our little valley, where that is actually spent; I think it just goes into revenue. I cannot see how they could ever spend the money they are getting from an unregulated source.

Mr CAROLAN: Very simplistically, I do not have a specific instance, but when the departments are asking for money they should have a quantified requirement that they have something that they need to deliver and a cost associated with that and they should be completing the job that they are paid for; as has been said before, someone who is keeping an eye on them and holding them accountable. Unfortunately my earliest education in dealing with the departments has been watching episodes of *Yes, Minister* and asking for as much as you can get versus what you require is basically what I have a bugbear with.

The Hon. MICK VEITCH: My last question relates to the department. Ms Baker, in your opening comments you spoke about the impact of the recent changes to the way the department is structured, resources and corporate knowledge. I think you were talking about the broader context or the water sharing plan but what was the impact on the ground of those changes, and perhaps Mr Hamblin or Mr Carolan might be able to comment?

Mr CAROLAN: It is basically having to re-educate. You might go through a 12-month process of getting to a certain point of understanding within the department about what we are trying to achieve or what is happening on the ground and every time there are these structural changes with new people lacking the history it reverts back to square one. It is a somewhat unforgiving and disheartening process, whether it is resource-based or lack of passing on of knowledge in that process.

Ms BAKER: There is a really good example for Mr Carolan in part 8 applications that are currently being processed. They were transferred across to WaterNSW and then they were transferred back to DPI Water

because the transformation process did not include the right clauses to enable those part 8 applications to have been approved by WaterNSW. Now four or five people have actually been in charge of assessing those part 8 applications. That is an example of some of the challenges associated with that. In particular for this inquiry the information would have all been available under the previous Office of Water structure. Now it is going to be spread across two departments, and the functional relationship between those two departments has to work very effectively not only in how they deliver each of their services but also in how policy and planning relates.

A good example of that is the Peel water sharing plan had a trial of temporary trade between the Peel and the Namoi. It was a 12-month trial, but unfortunately in the regulation you cannot apply a time frame so it was just noted that it would be a 12-month trial. DPI Water was advised that that particular rule was to be removed, but it was left and it has now had a significant impact on Namoi licence holders—losing access to 3,800 megalitres of water in our last available water determination. That has come at a direct cost because of the interaction between one department and the other—and certainly not from lack of effort from both, but functionally it sat with DPI Water and nothing was done about it. Obviously we are pursuing that with the Government to have that issue of the Peel-Namoi trade trial removed, because functionally it has a significant impact on Namoi licence holders, but it is a really long process to go through to have that rule removed even though it was a 12-month trial, it did not fulfil the initial objects—which is to provide price relief for the Peel Valley—and it has come at a significant impost to Namoi irrigators. Those are the types of examples that result in continual issues.

The Hon. PAUL GREEN: One of the hot topics in New South Wales and probably Australia is affordable housing, but it seems that in regional areas affordable water is the topic. Is water becoming unaffordable?

Mr HAMBLIN: There are different industries vying for water now. We are competing against the mining industry as well. In agriculture I think it would be fairly self regulated because we are all producing the same things, except for when you have overseas investors, if they are not having the requirement of return on asset. Mining is certainly putting a huge impost on. It is locking us out of the market. Then the water charges are becoming very—

The Hon. PAUL GREEN: Can you explain more about how the mining industry is locking you out of the equation?

Mr HAMBLIN: In the agriculture market one groundwater zone might specify \$3,000 a meg is the absolute maximum if you are getting the best efficiency you can out of water, the best use for that megalitre of water. For it \$3,000 is the absolute you can pay to make a return, but the miners might come in and they operate on a different system to what we do. They just rip stuff out of the ground, and weather does not really worry them, so they can pay \$4,000 or \$5,000 a meg.

The Hon. PAUL GREEN: You cannot compete with the mining industry.

Mr HAMBLIN: No.

The Hon. PAUL GREEN: Can you elucidate exactly how full cost recovery and legacy infrastructure impact cost?

Ms BAKER: Legacy assets are those that are determined where they do not pay full cost recovery, and there are a couple of dams in the southern basin where they will be determined a legacy asset at a particular date.

The CHAIR: Would that be like, say, Burrinjuck and Burrendong?

Ms BAKER: I will take that on notice and provide it to you, but there is a date in time in relation to legacy assets. I believe WaterNSW is planning to review this issue in its next pricing determination. We have been asking for this for well over 10 years now.

The CHAIR: That would be a strong recommendation that you would make to this inquiry.

Ms BAKER: Yes, absolutely. Legacy assets need to be reviewed. Functionally that affects how the pricing is then determined, so on full cost recovery the issue is that all users pay for the cost of that infrastructure. I think you raise a really important issue that the thing affecting our ability to utilise water is that the regulated asset base is increasing substantially each year and unless we actually have some review of how that mechanism works I think we will see a time when ... The Peel is a classic example of people being unable to use their water and the usage there is predominantly from intensive agricultural industries. There is a capacity to pay for high-security, high-reliability entitlements, whereas fundamentally other business infrastructure

cannot. I think it is disappointing when you have this area, which is a great example of an area that is renowned as being a terrific horse venue, buying their hay in from other centres.

The CHAIR: Pretty silly.

Ms BAKER: They have really good, reliable storages but the ability to afford to continue to produce is limited. I think it is important in your review that you look at legacy asset issues. We have been trying to have particularly Split Rock reviewed under the environmental asset efficiency test, because if we can prove that augmenting Keepit Dam would have been more efficient then we would pay the lesser of the pricing between the two. If an augmented Keepit would have resulted in lower prices—and IPART should actually provide that assessment for us—

The CHAIR: It should, yes.

Ms BAKER: —and it has not, despite it being requested over three or four determinations now—

The Hon. PAUL GREEN: What is its reason for not having done that?

Ms BAKER: It does not give you a reason, and that is the challenge.

The Hon. PAUL GREEN: It is not accountable.

Ms BAKER: No, not particularly. The issue we have is that you actually do not get access, as Mr Hamblin and Mr Carolan pointed out, to "Here's the level of service that we are providing and here are the costs associated with them." WaterNSW continues to make a profit but it continues to argue for full cost recovery of its allowed costings. Under the new IPART determination it is getting a volatility allowance and the ability under the new IPART proposal to recover to that full extent. I think there is a huge challenge there that this Committee should really look at in greater detail.

The CHAIR: We are about to run out of time. You have yet to formally table your submission. Could you take it on notice that we would like Namoi Water to have a crack at telling us what you believe will be the change in gross domestic output from the catchment and direct agricultural output if the pricing and availability issues were to be solved for you. In other words, if tomorrow King Robert could say, "Right, this is what you've got, an extra 10 gigalitres of water" or whatever, your answer and those of the other groups will give us a composite idea of the shortfall the imposition of external strictures, such as price and availability, has created in our capacity to produce. Is it clear what I am asking you for?

Ms BAKER: Yes.

Mr HAMBLIN: So, if water is not the limiting factor.

The CHAIR: Take water out of the equation as the limiting factor and tell us what you could produce over and above what you are producing now.

The Hon. RICK COLLESS: If you could have access to your entitlement every year, basically.

Ms BAKER: With no embargoes!

The Hon. PAUL GREEN: Yes. Best outcome. We want to see what the potential of the region is economically.

The Hon. RICK COLLESS: It is a bit of a fallacy to have an entitlement that you are never able to achieve.

The CHAIR: Yes—it is not really an entitlement then. Thank you very much for what appears to be a very useful submission that will allow us to ask some questions of IPART when it appears before us as a witness. Put anything that you would like us to ask IPART on your behalf in your submission as well. Thank you very much for taking the time out of your businesses to come here and help us today. We hope we can come up with some recommendations as to how we may look to both the short-term future, which has to be solved, and the long-term future. Agricultural production will be our long-term future, not digging stuff out of the ground—whether anybody wants to admit it or not. Thank you for appearing. Any questions on notice will be put to you in writing, and we would like answers in 21 days.

Ms BAKER: Thank you for your time.

(The witnesses withdrew)

The Committee adjourned at 12:09.