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**SUBMISSION TO THE NATIONAL
COMPETITION COUNCIL
FOR
THE 2004 WATER REFORM
ASSESSMENT**

**BY
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INTRODUCTION OF WATER TRADING

Since the introduction of water trading under the Burnett Resource Operations Plan on the 2nd June 2003 both Fergus Duncan and myself have been heavily involved in the trading of water entitlements. Fergus Duncan's main role has been as a water broker and he has negotiated and brokered the majority of water trades in the Burnett region. Geoffrey Cunningham is a solicitor with Payne Butler Lang Solicitors in Bundaberg and has been involved with the legal aspects of water trading.

This submission deals with the following issues in Queensland including:

1. Water trading – trading rules established in existing resource operation plans such as the Burnett and the commerce of trading approvals; and
2. Developments in water trading mechanisms and the availability of market information.

Fergus John Duncan

I am principally a Real Estate Agent selling residential and commercial properties and businesses and have over the past 16 years specialised in the sale of rural property in Central Queensland, Moree and the Central Burnett.

I have also owned an irrigation farm.

Since the beginning of water trading I have completed the following sales:

Upper Burnett Water Scheme

120 MI @ \$1250.00 per MI	Zone OB to Zone NC
45 MI @ \$1500.00 per MI	Zone NC to Zone NB
26 MI @ \$1500.00 per MI	Zone NC to Zone NE
3 MI @ \$1300.00 per MI	Zone NC to Zone NA
20MI @ \$1500.00 per MI	Zone OB to Zone OA
40MI @ \$1500.00 per MI	Zone OB to Zone NA
10MI @ \$1500.00 per MI	Zone NA to Zone NB
<u>30MI</u> @ \$1600.00 per MI	Zone OB to Zone CB
294MI Total	

Lower Burnett Water Scheme

60MI @ \$900.00 per MI	Zone OB to Zone AA
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Upper Burnett – Cancelled

50MI @ \$1600.00 per MI Zone OB to Zone NB

Currently for Sale

80MI @ \$1250.00 per MI Zone OB

290MI @ \$1600.00 per MI Zone OB

51MI @ \$1500.00 per MI Zone OB

421MI Total

Geoffrey Paul Cunningham B.App.Sc, M. AgSc, LLB

I am a solicitor with Payne Butler Lang Solicitors in Bundaberg and I practice principally in Property Law and Natural Resource Law. I have previous experience with rural industries as a consultant and as a research officer with the Department of Primary Industries. I have been involved since early 2003 with providing legal services to primary producers in relation to the transfer of water entitlements under the *Water Act 2000*. This role has included:

1. Drafting of legal documents including Water Entitlement Contracts and Leases and these documents are currently waiting for Queensland Law Society approval;
2. Reviewing clients wills and succession plans to incorporate water entitlements;
3. Writing media releases on the changes in the law relating to water entitlements;
4. Providing training talks to legal practitioners and primary producers on the changes in the law relating to water entitlements; and
5. Providing conveyancing services for buying and selling water entitlements in the Burnett region.

Burnett Resource Operations Plan

The majority of water trading has been conducted in the Upper Burnett area and the river zone limitations imposed on the Upper Burnett in the original ROP were as outlined in Table 1.

TABLE 1 MINIMUM AND MAXIMUM VOLUMES IN UPPER BURNETT RIVER ZONES IN MEGALITRES					
Zone	Minimum Nominal Volume	Export Volume	Medium Priority Water Allocation	Import Volume	Maximum Nominal Volume
GA	3817	0	3817	150	3967
GB	913	0	913	50	963
NA	1951	50	2001	200	2201
NB	3488	50	3538	200	3738
NC	2411	750	3161	100	3261
OA	5863	740	6603	50	6653
MA	883	110	993	0	993
OB	6405	550	6955	60	7005
OC	0	133	133	150	283
OD	290	100	390	100	490
PA	1070	100	1170	100	1270
SA	0	0	0	0	0
SB	0	50	50	0	50
TOTAL	27091	2638	29724	1150	30874

There appears to be a major discrepancy between the water volume available for export (2638 ML) and the water volume available for import (1150 ML) in the original ROP that has never been explained by DNRM.

A significant number of water trades were made in the Upper Burnett during the second half of 2003. However water trading has now effectively ceased in the Upper Burnett due to the river zones that require water having all reached their maximum nominal volumes for each zone.

A case study of river zone OB highlights the restrictions on water trading that is currently being made by the maximum nominal volumes within each river zone.

Zone OB

Originally a large citrus growing area but has declined in citrus production as there has been a movement to elevated areas with less frost. The reliance on irrigation water from the Burnett River has declined due to the unreliability of the Warumba Dam and the discovery of good supplies of bore water from a fault in the sandstone substrate. There is 1385 megalitres in zone OB have either been sold or awaiting revision of the upper and lower limits in other river zones.

Water Trading in the Burnett Region

The current problems with water trading under the Burnett Resource Operations Plans are as follows:

1. Number of River Zones

The number of river zones are excessive with 13 river zones alone in the Upper Burnett area and the river zones need to be reduced to a more practical number such as 3 to 4 zones. The river zones should be set with reference to water infrastructures and the practical limitations on water movement and not by arbitrary river zones.

2. Minimum and Maximum Volumes in River Zones

The minimum nominal volumes and maximum nominal volumes were set far too conservatively under the original Resource Operations Plan and are severely hampering water trading. The average import volume available in river zones started at 3.8%. A more practical level would be to allow 10 to 20 percent of the water allocation in each zone to be available for import or export from that zone;

3. Review of Minimum and Maximum Volumes in River Zones

The Department of Natural Resources and Mines ("DNRM") are making no effort to resolve the problem with the minimum nominal volumes and maximum nominal volumes. A review of river zone volumes was promised by DNRM by November, 2003. This review was never completed. A review of river zone volumes was promised by DNRM by February, 2004. This review was never completed. DNRM is currently promising to have a review of river zones completed by June, 2005. A six monthly review process needs to be put in place to review water trades during that period and to alter the minimum and maximum nominal volumes in river zones affected by those trades.

4. Land and Water Management Plans ("L&WMP")

The approval of L&WMP's by DNRM has caused problems with the utilisation of water entitlements purchased under water trading. DNRM has been inflexibly applying average water use data for crops and ignoring yearly variations in rainfall. This situation has resulted in primary producers having to limit water estimates and increasing crop loss risks in dry years.

5. Availability of Market Information

No online service is currently in existence for obtaining information on water trading sales. A comparable system to land sales is required for efficient water trading to develop.