[redacted]

4.3.16.

Ms Kennedy, Zoe,

Thank you for our enlightening conversation of yesterday morning regarding delivery shares and termination fees.

My experience relates only to the situation prevailing in Northern Victoria under G-MW(zone 1a).

My authority to speak out is derived from an over 50-year partnership with G-MW/State Rivers

Reading from the ACCC report I find that they believe a robust market in delivery shares would be desirable, which in turn would largely remove the need for the levying of a termination fee.

This is the view point that I have long held and fills me with hope.

First a little background to begin our submission

From the Draft Tariff Proposal, page 19, sec 9, put out by G-MW in early 2013 we learn that at the time of unbundling (2006/7) delivery shares were originally allocated at one for every 100 meg of water right held.

D/S were now to be the main source of G-MW revenue, it was also suggested that they would have a value, be tradable, and they may well have been, had it not been for an act of rare folly committed by G/MW when it was decided that each D/S would allow holders access to 270 meg of water.

This one decision killed any extra demand or revenue coming to G-MW, also any value D/S may have held for those issued with them.

It also meant a termination fee had to be introduced to lock farmers in as they now had the capacity to cancel over half their D/S. Currently irrigators are offering substantial sums to rid their farms of D/S.

At the time of the recent policy review (2013) there was a strong move from both within G-MW and from some farmer rep groups to amend the ratio to 150 megs per D/S.

Had this move been implemented it seems likely that D/S would have gained a value and became a tradable commodity. This in turn would have removed the threat posed by the termination fee, to the trade of farms from older to younger farmers, it may also have given G/MW coffers a boost as those younger men sought extra D/S.

As to why these desired changes did not happen, in conversation with Mr. Gavin Hanlon, then CEO of G-MW I learned that he was surprised by the degree of opposition to the 150 D/S per meg ratio.

He should not have been, for to the many farmers who had sold down their water rights to suddenly have access to 270 megs for the cost of one D/S was an attractive proposition.

He went on to say many business decisions had been made based on the 270 meg ratio.

This may well have been so, but what of farmers like ourselves with 50 years of loyal partnership with G-MW who at unbundling held 500 megs, were issued with 5 D/S and were then locked in by the termination fee; no chance for us to make business decisions.

The equally damaging, and perhaps overlooked consequence of this situation occurs when it becomes necessary to sell a property, then each unwanted, D/S in effect reduces the value of a farm by 10 times the dollar value of the D/S.

Buyers, mainly irrigated croppers either have ample D/S of their own (thanks to the 270 meg ratio) which they are able to transfer to their new property, or are well aware of the money on offer from willing D/S sellers.

There should be no case made that retiring farmers need to pay out huge amounts to cancel D/S, the farms are still going to be used for irrigation, there are plenty of well-heeled buyers on the prowl looking to buy farms but because of the 270 meg ratio they want farms with water licence only and will demand that D/S be canceled before they buy.

In our case this amounts to nearly half the value of the farm that we have worked over a lifetime.

For the industry to flourish it needs to offer fair opportunity to both expanding younger and retiring older farmers.

For those older farmers the termination fees have become a death tax saddled on the ill and infirm; while younger men have no wish to take on D/S that comes with an absurd and unnecessary termination fee.

So to reiterate, it would seem for D/S to become a tradable commodity, a reduction in the D/S ratio to 150 megs coupled with a commensurate reduction in the annual D/S charge to irrigators and a charge by G/MW on the issue of new D/S perhaps in the order of the cost of one annual fee would go a long way to improving the situation.

If all of the above seems too difficult perhaps G/MW who have, perhaps unwittingly, orchestrated this situation, might use a fraction of the rationalization funds coming their way, to grant an exemption /waive, reduce termination fees, especially, if it can be demonstrated that the out-going farmer is selling for health or age reasons and the incoming buyer intends to continue with irrigated farming.

Yours faithfully Peter and Barbara Tomlinson