Essential Services Commission. **G-M W, Water Price Review.**

My experience relates to the situation prevailing in Northern Victoria under G-MW in particular (zone 6, 1a).

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

Reading from the recent ACCC review of water charge rules I find they believe a robust market in delivery shares would be desirable.

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 the rate of one for every 100 meg of water right irrigators held.

From then on D/Shares were to be the main source of G-MW revenue, and as with the hope expressed in the ACCC report it was suggested that D/share would find a ready market.

Now this highly desirable situation would surely have been the case had it not been for an act of rare folly committed by G-MW when they decided that each D/Share would allow holders access to 270 meg of water.

This one decision stifled any extra future demand for D/Shares and any extra revenue coming to G-MW, and of course any value D/Shares may have held for those issued with them.

It also meant a termination fee on D/Shares had to be introduced to lock irrigators in as they now had the capacity to cancel over half their D/Share.

Currently irrigators are offering substantial sums to rid their farms of unwanted / over allocated D/Shares.

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

Had this move been implemented it seems likely that D/Shares would have gained a value and became a sought after tradeable 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/Shares.

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 meg per D/Share 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/Share was an attractive proposition.

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

Surely so, but what of farmers like ourselves who after 50 years of loyal partnership with G-MW; taking up water when it was offered, paying the increased accounts through thick and thin; and who were then locked into holding untradeable D/shares by the savage termination fees.

An equally damaging and it seems overlooked consequence of this situation occurs when it becomes necessary to sell an irrigation property, **then the farm value is reduced by ten times the dollar value of each unwanted D/share**.

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

There should be no case made that retiring farmers need to pay out huge amounts to cancel D/share, the farms are still going to be used for irrigation, there are plenty of well-heeled eager buyers on the prowl looking to buy, however they want farms with water licence only and will demand that D/share first be paid out.

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

We believe, for the industry to flourish it needs to offer **fair opportunity** to both expanding younger farmers and retiring older farmers.

As things stand 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/share that comes with a savage and unnecessary termination fee.

Can we suggest that for D/Share to become a tradable commodity?

(a) a reduction in the D/Share ratio to 150 megs coupled with a commensurate reduction in the annual D/share charge to irrigators and

(b) a charge by G-MW on the issue of new D/Shares, 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, the orchestraters of this situation, might use a fraction of the rationalization funds, to grant an exemption or reduce termination fees if it can be shown 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 20.4.2016.