



22 August 2011

Senate Standing Committee on Rural Affairs & Transport  
Suite SG 62  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Senators

Please find attached our response to a Question on Notice taken at Dalby on Tuesday 19 July.

If we can provide any further assistance we would be more than happy to assist.

Kind regards

Ian Hayllor  
Chairman

**Senate Rural Affairs and Transport  
References Committee  
Inquiry into the management of the Murray-Darling Basin  
Public Hearing Tuesday, 19 July 2011  
Questions Taken on Notice – Basin Sustainability Alliance**

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**1. HANSARD, PG 8 - 9**

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**Mr Shannon:** It is impossible. I used to give the analogy of an ink spot on your shirt. If there is a large ink spot on your chest it is a hell of an inconvenience, but if it is right under your tie it is not going to matter too much and if it is on your back under your coat it does not matter. You cannot compare.

**Senator STERLE:** I get that, but there are more people who have an interest in this inquiry than there would be people who understand farming and the value of their land. I do not, so I would really appreciate it—even if you take it on notice—if you could provide to the committee the actual loss of value. I know it comes when the land is going to be sold, but I would appreciate it.

**Mr Hayllor:** The problem is that there are so many impacts. That is what companies say to us. They compensate us for impact and they think the square footprint of that well is an impact, but it is not. Our labour bill has gone up 20 or 30 per cent in the last 12 months to keep staff on. Our access to transport and roads is all getting more expensive. There are so many things that are impacting our business. As far as the impacts on the management of the farm, it is the fact your runs are not as long as they used to be so you are turning around. It is just all these inefficiencies. It is very hard to say exactly what it is worth until you have worked through it—

**Senator STERLE:** I understand and appreciate that, but I am not seeing everyone doing cartwheels in and out of here saying how great they have been treated or how wonderful they are. If there are those people they are probably out buying properties on the Gold Coast.

**Mr Hayllor:** What we are saying is that when we see properties advertised with gas wells as an asset to the business you will know the compensation is about right and the environmental impacts are being managed.

**Senator STERLE:** You can take it on notice, but if someone could come up with something it would really assist us in our deliberations.

**RESPONSE:**

Determining the actual loss of value as a result of coal seam gas impacts is an extremely complex issue. There are many components to consider – diminution of the land value and compensation for the losses and impediments incurred as a result of the activity.

As a committee we maintain the belief that there are many critical components that have to be included in making such a complex calculation. Putting a physical price on some of these impacts when considering the effects will be vastly different from landholder to landholder and region to region puts us as a committee in a very difficult position.

Subsequently we maintain the belief there is no room for a one size fits all, or a blanket approach.

However what we are able to provide is general information on land values and issues that we as a committee believe landholders need to consider when working through negotiations.

### **Loss of Property Values**

The State Valuation Service of Queensland, which reports to the Department of Environment and Resource Management, has in recent years worked with a committee in an attempt to establish the impacts of CSG mining on unimproved land values. Using a number of different examples and scenarios, factoring in business operations, land types and infrastructure, the State Valuation Service determined that one CSG well alone on some properties could reduce its value by 20%.

In terms of market value it is hard to state what impact CSG is having because rural properties generally across the board have been slow to sell for some time. Respected rural property agents have publicly admitted that there has been a big resistance by buyers to inspect or purchase properties either with CSG infrastructure or earmarked for future development.

We can confirm that one of our members has had an official market valuation of their property which concluded a 15% loss on market value however no sale has eventuated to confirm that assessment. We have anecdotal evidence from some landholders who believe that with the threat of CSG infrastructure on their properties, their land is unsaleable.

Another important issue to note is that a great many farmers do not want to sell out, but they are still impacted as CSG development erodes their equity and reduces their ability to borrow to invest in new efficiencies which in turn, makes us less globally competitive.

### **Landholder compensation**

Compensation always comes back to individual properties, the layouts, the infrastructure, the individual land-use and soil type/s, the impacts on other operations or landholdings (eg. If you have more than one block or run integrated operations), impacts on lifestyle and privacy and therefore makes it impossible to do a one size agreement that fits all.

BSA believes that compensation must fully consider all impacts and loss and not be calculated as a “per well” amount.

### **Impact on normal farming activities**

Placement of wells, gathering pipes, power lines and access roads often forces farmers to change the way they use farm machinery or move stock around the property, resulting in concentration of activity in areas away from CSG activity and undermining sustainable cropping/grazing initiatives

### **Impact on ability to adapt to new farming technologies**

Gas wells and associated infrastructure are likely to be in situ for 20 years or more. What may be low impact on today's farming practice could be very high impact on tomorrow's farming, as farmers move to larger machinery, driverless tractors, GPS navigation and overhead or centre pivot irrigation systems. In essence, farmers are being forced to compromise their ability to adapt to change.

### **Not being able to move heavy machinery around properties**

Machinery is getting bigger and heavier as it gets more productive and efficient. As an example, cotton harvesters now weigh well over 30 tonnes whereas 25 years ago they weighed 6 tonnes.

Farmers who cannot move heavy machinery around their farm because of a network of pipes that can only be driven over by light vehicles will fall behind, and may reach a point where they cannot get the crops harvested.

### **Loss of rural lifestyle**

Farming is usually not a highly profitable business. Most farmers choose farming because they value the rural lifestyle, particularly the ability to bring up children where they can ride horses and bikes, take walks and climb trees. They will lose the ability to safely have children growing up as nature intended when their farms are industrial workplaces, with vehicle loads of total strangers and heavy machinery driving in and out at will.

### **Loss of rural/social amenity and landscape value**

Many farmers value the "view" they have and the environment they live in. The construction of wells, pipes and roads every 800 odd metres across an otherwise rural landscape represents the industrialisation of their back yard.

It is important to acknowledge that many landholders will lose this social amenity but it is only those with CSG wells that are compensated.

### **Change of overland flow beneficial flooding**

For those on floodplains, beneficial flooding or "natural irrigation" is a critical part of their moisture storage capability. Beneficial flooding only occurs where slow moving shallow water moves uniformly across a property filling the subsoil with water for the next crop/pasture. The construction of a network of roads and pipes WILL channel this water, creating erosion where it is concentrated and drought where is denied.

**ALL OF THE ABOVE POINTS, AND OTHER FACTORS, WILL VARY FROM PROPERTY TO PROPERTY, THUS GENERALISING ABOUT APPROPRIATE COMPENSATION IS VERY RISKY.**

## **Conclusion**

BSA's conclusion is that compensation must be dealt with case by case. Landholders should be advised to get professional help in negotiating compensation agreements. Review intervals must be built into agreements. Without regular reviews, landholders may be locking themselves into old and efficient ways by signing off on a 30 plus year compensation agreement. It is only through taking on new technology that Australian producers have stayed ahead of ever rising costs of production. The principal that CSG development must "add value" to a landholder's business should be a mandatory requirement.

While CSG compensation should not become a "get rich quick" scheme for landholders, it would be un-Australian to inflict diminution of business and living standards on one sector of society for the profit on another.