



Office  
of Water

# NSW Great Artesian Basin water auction 2009

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Final report

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The NSW Office of Water is a separate office within the  
**Department of Environment, Climate Change and Water.**

The Office manages the policy and regulatory frameworks for the State's surface water and groundwater resources to provide a secure and sustainable water supply for all users. The Office also supports water utilities in the provision of water and sewerage services throughout New South Wales.

### ***NSW Great Artesian Basin water auction 2009: Final report***

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## Introduction

On the 26 November 2008, the Minister for Water, Hon. Phillip Costa MP, signed the Controlled Allocation of Access Licences Order for the NSW Great Artesian Basin Water Sources. Under the controlled allocation order for the NSW Great Artesian Basin, interested parties were given the right to apply for the acquisition of 24 access licences, each with a share component of 50 units, in the Central, Warrego and Surat groundwater sources. These access licences were made possible through the water savings gained from the Cap & Pipe the Bores Program. The sale of the licences was by auction conducted on the basis of terms determined by the then Director-General of the Department of Water and Energy, now the NSW Office of Water.

The Cap & Pipe the Bores Program was introduced in 1990 by the NSW Government to replace wasteful artesian bore drains in the Great Artesian Basin (GAB). In 1999 the Commonwealth and States overlying the GAB entered into a joint program titled the Great Artesian Basin Sustainability Initiative (GABSI) to accelerate the rate of capping and piping of free flowing bores.

The first phase of the Cap & Pipe the Bores Program operated between 1990 and 1999 and saved approximately 8,600 megalitres (ML) of water, which was retained in the aquifers of the Basin to improve pressures and provide for groundwater dependent ecosystems. Under the GABSI initiative, 1999–2014, it is anticipated that the Cap & Pipe the Bores Program will save approximately 47,000 ML of water. Under the *Water Sharing Plan for the NSW Great Artesian Basin Groundwater Sources 2008* (the Plan), 70 per cent of the water savings made since 1999 shall be retained in the aquifers of the Basin to improve pressures and provide for groundwater dependent ecosystems such as the unique mound springs of NSW. The remaining 30 per cent of the water savings may be released to extractive users over the term of the Plan to facilitate the continued economic and social welfare of regional western NSW.

The auction was held on Tuesday, 21 July 2009 in the western NSW town of Walgett, and was jointly conducted by Kelly's Property Sales of Walgett and Moree Real Estate.

It was estimated that 150 people were in attendance, and in a process that was the first for NSW, and indeed Australia, all 24 lots (access licences) were sold within 75 minutes. The auction will yield approximately \$870,000 which will be reinvested into the Cap & Pipe the Bores Program.

## Background

In 1999, an embargo was placed on the NSW Great Artesian Basin (GAB) which prevented further applications for access licences. At the time, the then NSW Great Artesian Basin Advisory Committee (GABAC), was preparing a management plan for the NSW GAB. In developing a draft plan for the Minister's consideration, the committee sought to apply the objectives of the Water Management Act, and to balance the applying principles of ecologically sustainable development, and to foster social and economic benefits to the region and the State.

In response to concerns from committee members and water users the GABAC commenced discussions with respect to mechanisms for encouraging trade and allowing new or existing water users to access water. This mechanism was termed the "New Entrant Strategy."

In March 1999 the "New Entrant Strategy" was discussed and the proposal was to release some of the water saved from the Cap & Pipe the Bores Program, providing the money from this sale was reinjected into the Cap & Pipe the Bores Program. The original proposal was that 50% of the water saved would go back to the environment and 50% of the water saved could potentially be made available to new users. Following further committee discussions in November 1999, the proposed ratio was changed to 60% for the environment and 40% for new water users to acknowledge the monetary contribution from landholders who had capped and piped their bores.

It was during their final deliberations in March 2001 that the GABAC proposed to recommend to the Minister that 70% of the water savings should go to the environment and 30% of the savings should be made available to new or existing users, providing that the money from the sale of the water be reinvested into the Cap & Pipe the Bores Program. This proposal was a consensus decision, which included 14 landholder representatives from across the GAB.

During these deliberations the GABAC provided community members with an opportunity to come along and ask the committee questions and discuss with the committee any concerns that they may have had. These meetings were advertised prior to the GABAC meetings and were held in Bourke, Lightning Ridge, Walgett, Dubbo, Moree, Coonamble and Goondiwindi.

The decision to make 30% of the savings resulting from the capping and piping of bores under the GABSI Program available to new or existing users was presented to the community during public consultation of the draft Water Sharing Plan in information sessions held in Moree, Walgett and Bourke in December 2007.

The release of a portion of the water savings was recommended to encourage economic and social development of western regional NSW in the face of hardships suffered by struggling communities through drought, to provide a means for existing users to obtain sufficient water to maintain viable businesses, and to address community expectations, generated through the water management committee process and the Department, that water savings would be released.

With up to 14,000 megalitres to be released from the 47,000 megalitres saved under the GABSI Program, the average volume to be released each year of the 10 years of the Water Sharing Plan is 1,400 megalitres. After consideration of the likely demand at the time of the auction it was decided to release 1,200 megalitres in 2009.

## Objectives of the auction

The objectives of the auction were to:

- Make available access licences to new or existing water users under the provisions of the Water Sharing Plan for the NSW Great Artesian Basin water sources
- Stimulate trade in the NSW Great Artesian Basin water sources
- Establish a market value (\$) for entitlements in the NSW Great Artesian Basin water sources
- Provide equitable opportunity to potential purchasers of the water.

## The auction timeline

26 November 2008 Controlled Allocation Order signed
9 December 2008 Real estate agents engaged to auction water
13 January 2009 Department met with real estate agents to discuss process
14 January 2009 to 14 May 2009 Information documents, legal documents and media strategy developed
14 May 2009 First advertisement for auction appeared in the <i>Land</i> newspaper
15 May 2009 Department's GAB auction information website went live
18 May 2009 Interested purchasers contacted and directed to website
2 June 2009 First opposition to auction registered
7 July 2009 NSW Great Artesian Basin Advisory Group met to discuss opposition to auction and recommended that auction proceed
16 July 2009 Artesian Bore Water Users and Department met with the Minister to discuss opposition to auction. Auction to proceed
21 July 2009 Rally to oppose auction
21 July 2009 Auction of 24 lots (access licences)

## The auction

Prior to the auction, opposition to the sale of entitlement was expressed by landholders in the GAB and others. This opposition resulted from concerns regarding the management of the resource and the incomplete knowledge of the hydrology and pressure responses with respect to the Cap & Pipe the Bores Program. There was significant media coverage of the proposed auction of Great Artesian Basin water, and in some cases the media were not well informed, which resulted in negative publicity and confusion within the community. Media analysis of the auction can be found in Appendix 1.

On 16 July 2009 a meeting was held with the Chair of the NSW Great Artesian Basin Advisory Group, the Minister, a representative of the then Department of Water and Energy and a delegation of landholders to discuss the issue of future sales of Great Artesian Basin water. The undertaking from this meeting was that the Department would:

- Monitor and review pressure recovery, water savings, water demand and economic benefits before announcing any further controlled allocations, and
- Not announce any further controlled allocations for the next two to three years.

The morning of the auction, 21 July 2009, commenced with a rally of concerned individuals who opposed the further allocation of access licences in the NSW Great Artesian Basin. The rally was attended by approximately 150 people, along with several State and Federal politicians. The rally participants allowed the auction to go ahead uninterrupted on the condition that the NSW government would monitor the impacts on pressure recovery and guarantee that the proceeds of the sale would be reinvested into capping and piping of free-flowing bores.

At 11am, Mr Paul Kelly, Moree Real Estate, introduced himself and provided the attendees with a brief overview of the auction process. Mr Kelly then introduced George Gates, Manager, Groundwater Management, from the Department of Water and Energy who provided the auction attendees with a brief outline of the history and the reasons behind making 1,200ML available to new or existing users. Gary Coady, Team Leader – Groundwater, also from the Department of Water and Energy, followed with an outline of the key provisions associated with accessing water in the NSW Great Artesian Basin. The attendees were then invited to take the opportunity to ask any questions relating to the auction, the history or provisions for accessing water. The auction commenced at 11.45am and was conducted in a non-confrontational manner.

The bidding was consistent and within 75 minutes all 24 lots (1,200ML) had been sold. The highest price paid was \$1000.00/megalitre, the lowest price paid was \$600.00/megalitre, and the average price paid was \$725.00/megalitre.

## Outcomes of the auction

Indicative results from the auction suggest that 60% to 70% of the water purchased will be used to support tourism, and the balance to support intensive industries such as feedlotting.

The below table provides the results of the auction for the 24 lots.

**Table 1: Great Artesian Basin water auction results**

Lot Number	Price Paid/Megalitre (\$)	Total Price Paid (\$)
1	1000	50 000
2	800	40 000
3	800	40 000
4	800	40 000
5	800	40 000
6	800	40 000
7	800	40 000
8	800	40 000
9	700	35 000
10	700	35 000
11	600	30 000
12	700	35 000
13	700	35 000
14	700	35 000
15	700	35 000
16	600	30 000
17	600	30 000
18	600	30 000
19	600	30 000
20	600	30 000
21	700	35 000
22	700	35 000
23	800	40 000
24	800	40 000

It is believed that the auction satisfied 90% of the demand for additional entitlement in the Basin. It was considered that an extra 200ML could have been sold. Unless there is a considerable and unexpected increase in demand a further allocation via sale is unlikely to be justified for the next two to three years.

Prior to the auction there was 4,350ML of entitlement in the Central, Warrego and Surat groundwater sources combined. It is hoped the auction will stimulate trading of the unused portion of this entitlement. Following the auction, and the approval of the 24 access licences, there will be 5,550ML of entitlement in the Central, Warrego and Surat groundwater sources combined.

The auction established a value for entitlement in the Central, Warrego and Surat water sources of the GAB of \$700 to \$800/ML. This is expected to accelerate the development of a trading market in the NSW Great Artesian Basin water sources.

## Future sales of water

The information provided to prospective buyers outlined the following water release schedule.

**Table 2: Water release schedule**

Water Year	Share Units
2008-2009	1200
2009-2010	1400
2010-2011	1400
2011-2012 to 2017-2018	Balance of Savings

In light of concern regarding the auction and the allocation of new access licences the NSW Office of Water has undertaken to:

- Monitor and review pressure recovery, water savings, water demand and economic benefits before announcing any further controlled allocations, and
- Not announce any further controlled allocations for the next 2 to 3 years.

## Cost of the sale

The following costs were associated with the sale of the GAB water.

**Table 3: Associated sale costs**

Item	Cost (\$)
Preparation of documents	5450.70
Media and communications	10000
Commission on sale	19140



## Appendix 1: Media analysis May-July 2009

Date	Media	Comments
14 May	The Land	Advertisement NSW GAB Water Auction
26 May	Media Release Minister for Water	'Water auction to provide stimulus for Great Artesian Basin'
11 June	2NM (Muswellbrook) Southern Cross Rural News	Newsgrab
11 June	The Land	Article 'Great Artesian sell-off' Minister for Water, Phil Costa, Neil Kennedy Coonamble
18 June	Farmonline	'Federal Govt won't stop GAB water sales' Dr Mike Kelly Federal Parliamentary Secretary for Water
23 June	ABC Radio Broken Hill Rural Report	News Item Rory Treweeke, Chair Western Catchment Management Authority
23 June	ABC Radio Toowoomba Rural Report	News Item 'NSW Govt to sell off GAB water' Ranald Warby Chair NSW Council Randall Cox Director of Strategic Water Policy Department of Environment and Natural Resources
23 June	ABC Radio Broken Hill Rural Report	News Item David Harriss Deputy Director General
25 June	The Land	Article 'Stick this in your pipe and cap it' Geoffrey Locke Mark Coulton MP Member for Parkes Dr Mike Kelly, Federal Parliamentary Secretary for Water
1 July	Daily Telegraph	Article 'Farmers vent fury over state water sale' Neil and Anne Kennedy Coonamble Department of Water and Energy (DWE)
2 July	ABC Illawarra NSW Country Hour	News Item 'Farmers angry at water sell-off' David Harriss Deputy Director General DWE, Mark Evans, Farmer capping project participant

Date	Media	Comments
5 July	Sydney Morning Herald	Article 'Alarm over auction of artesian basin water' Minister for Water Phil Costa, Anne and Neil Kennedy, Coonamble Dr Richard Kingsford, Professor of Environmental Science at University of NSW
7 July	Prime Local News Tamworth	News Item Tim Napier, Border Rivers Food and Fibre, Michael Owen, farmer, Andrew Malloy, Myola Feedlot
9 July	Moree Champion	Advertisement NSW GAB Water Auction
9 July	The Land	Letter to the Editor David Harriss, Deputy Director General DWE
10 July	Northern Daily Leader Tamworth	Article 'Water sale astounds' Kevin Humphries MP, Member for Barwon, Minister for Water Phil Costa Premier Nathan Rees
9 July	Western Herald NSW Broken Hill	Article 'Great Artesian Basin – No Sale!' Kevin Humphries MP, Member for Barwon Minister for Water Phil Costa Premier Nathan Rees
13 July	ABC newsonline	Article 'MP warns against basin water sell-off' Western Queensland MP Vaughan Johnson
14 July	ABC newsonline	Article 'If it's not nailed down!' Kellie Tranter Lawyer Minister for Water Phil Costa John Hillier hydrogeologist
15 July	2DU Radio Dubbo Morning Show	News Item Kevin Humphries MP Member for Barwon
16 July	Farmonline	Article 'Origin forgotten as Qld, NSW unite against artesian water sale' Neil and Anne Kennedy Coonamble Graham Morphett Western Division NSW Farmer's Association vice president

Date	Media	Comments
16 July	ABC newsonline	Article 'Push on to stop Walgett water auction' Neil and Anne Kennedy Coonamble Kevin Humphries MP Member for Barwon
16 July	ABC Radio Central West WIN Dubbo	News Item Neil Kennedy Coonamble GAB Protection Group News Item Kevin Humphries MP Member for Barwon
17 July	ABC Radio New England North West, Central West, Western Plains	News Item Minister for Water Phil Costa
17 July	ABC newsonline	Article 'Water auction 'won't be delayed' Minister for Water Phil Costa
17 July	Farmonline	Article 'Conditions set for Artesian water sale' Kevin Humphries MP Member for Barwon Minister for Water Phil Costa
20 July	ABC newsonline	Article 'Basin water sale a one-off' Anne Kennedy GAB Protection Group Australian Greens' MP Lee Rhiannon
20 July	2TM Radio Tamworth Rural News	News item Australian Greens' MP Lee Rhiannon
20 July	Prime TV Tamworth Local News	Australian Greens' MP Lee Rhiannon
21 July	Media Release Minister for Water	'Auction raises \$870,000 to go straight back into GAB water saving program'
21 July	ABC newsonline	Article 'NSW minister defends today's artesian water sale' Minister for Water Phil Costa
21 July	Farmonline	Article 'GAB water auction review' Neil Kennedy President of the GAB Protection Group

Date	Media	Comments
21 July	Farmonline	Article 'Artesian water auctioned for \$870,000 amid farmer protests Liberal Senator Bill Heffernan, Nationals Senator John Williams, Federal Nationals MP Mark Coulton NSW Nationals Member Kevin Humphries Neil Kennedy, Coonamble
21 July	ABC Radio New England North West	News Item, Greens MP Lee Rhiannon
21 July	ABC Radio Western Plains	News Item John Griffiths General Manager Coonamble Shire Council
21 July	Radio Adelaide, The Wire	Article Lee Rhiannon, NSW Greens Kevin Humphries, NSW Nationals John Hillier, hydrogeologist
21 July	Radio National (Canberra) Bush Telegraph	News Item Minister for Water Phil Costa
21 July	ABC Western QLD Radio (Longreach) National Rural News	News Item Minister for Water Phil Costa
21 July	ABC 1 Radio News Sydney	News Item Minister for Water Phil Costa
21 July	ABC 1 Radio News Canberra	News Item Minister for Water Phil Costa
22 July	2NM Radio Muswellbrook Southern Cross Rural News	News Item Minister for Water Phil Costa
22 July	ABC newsonline ABC Radio New England North West	Article 'A controversial water auction at Walgett has raised \$870,000 despite protests from farmers' George Gates DWE Anne Kennedy Coonamble
22 July	ABC newsonline Rural News	Article 'Farmers threaten boycott over artesian water auction' Anne Kennedy GAB Protection Group George Gates DWE
22 July	2TM Radio Tamworth	News Item Mark Coulton, Federal Member for Parkes
22 July	Prime TV Tamworth Local News	News Item

Date	Media	Comments
23 July	WIN TV Dubbo WIN News	Newsgrab
23 July	ABC Newsonline	Article 'Sale of artesian water prompts protest' George Gates DWE Anne Kennedy Coonamble
23 July	The Australian	Article 'Farmers furious over water auction as first drop goes to spring baths' Anne Kennedy Coonamble David Aber Moree Shire Council Minister for Water Phil Costa Lance Endersbee, former Dean of Engineering at Monash University
23 July	The Land	Article 'Water sales halt' page 1 'Artesian water sales await inquiry result' page 5 David Aber Moree Plains Shire Liberal Senator Bill Heffernan Ken Fisher Quambone Minister for Water Phil Costa Neil Kennedy GAB Protection Group Kevin Humphries MP Member for Barwon
23 July	Border News	Article 'Moree council buys up big at water auction' Kevin Humphries MP, Member for Barwon
26 July	ABC 1 Landline (Brisbane)	Article Neil and Anne Kennedy Coonamble Peter Waterford Walgett Minister for Water Phil Costa Georges Lefebvre, Coonamble Ranald Warby, Artesian Basin Committee
26 July	ABC newsonline	Article 'If the cap fits' Neil and Anne Kennedy Coonamble Peter Waterford, Walgett Minister for Water Phil Costa Georges Lefebvre, Coonamble Ranald Warby, Artesian Basin Committee
27 July	Country Leader	Article 'Some relief as basin water stays local' Kevin Humphries MP Member for Barwon