

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

LANDHOLDER BENCHMARK COMPENSATION FOR COAL SEAM GAS

Tribunal Members

Dr Peter Boxall AO, Chairman
Ms Catherine Jones, Member

Members of the Secretariat

Mr Hugo Harmstorf, Ms Fiona Towers
Mr John Smith, Ms Jenny Suh and Ms Yan Cheung

At the Narrabri Golf Club,
116 Gibbons Street, Narrabri

On Tuesday, 13 October 2015, at 9.30am

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1 OPENING REMARKS

2
3 THE CHAIRMAN: Good morning, everyone. My name is
4 Peter Boxall and I am chair of IPART. I would like to
5 begin by acknowledging that this hearing is being held on
6 the traditional lands of the Gomeroi people. I would like
7 to welcome everybody and thank you very much for making
8 time to attend today's public forum. With me is tribunal
9 member, Catherine Jones, on my right, and also members of
10 the IPART secretariat.

11
12 Today's public forum is about landholder compensation
13 for coal seam gas. The New South Wales government asked
14 IPART to develop a framework for setting compensation
15 benchmarks. The purpose of these benchmarks is to support
16 New South Wales landholders who are negotiating land
17 access agreements with gas companies.

18
19 The New South Wales government intends that New South
20 Wales landholders receive compensation that is at least as
21 good as other landholders in Australia and that New South
22 Wales landholders share the benefits of gas development.

23
24 In April this year, we released an issues paper as the
25 first step in our review. We invited public comments on
26 our proposed approach to recommending compensation
27 benchmarks. We also outlined some preliminary views on a
28 number of issues.

29
30 We received 28 submissions in response to our issues
31 paper. These came from a broad range of stakeholders,
32 including landholders, gas companies, farming and gas
33 industry bodies, the New South Wales government and
34 stakeholders who are opposed to gas development.

35
36 In addition to receiving these submissions, we held
37 discussions with landholders, industry and advisory groups
38 and government departments in New South Wales and in
39 Queensland. We heard from landholders with experience in
40 land access and compensation negotiations. We also heard
41 about the development of the gas industry in Queensland.

42
43 We received a lot of instructive and useful
44 information from our consultations. While views varied a
45 number of common themes emerged. The first is that a
46 one-size-fits-all approach to landholder compensation will
47 not work. The appropriate level of compensation depends on

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1 the landholder's individual circumstances and the proposed
2 activities of the gas company, both of which are highly
3 variable and site specific.

4
5 The second theme is that land access negotiations can
6 be complex and landholders should get professional advice.

7
8 We have taken this feedback on board in putting
9 together our draft recommendations. These are set out in
10 our draft report which we released last month.

11
12 Today's public forum is an important part of the
13 tribunal's consultation process. It provides the
14 opportunity for you to have your say on our draft
15 recommendations before we make final recommendations to
16 the minister by the end of November.

17
18 A key feature of our draft report is a spreadsheet
19 model designed to allow landholders to estimate
20 compensation benchmarks given their individual
21 circumstances. To use the model, landholders will need to
22 enter information about their property and the gas
23 activities on their land. In most cases land valuation
24 advice will also be needed.

25
26 Our aim is that the compensation model will help
27 landholders assess the reasonableness of a gas company's
28 offer. We don't intend that the model replace the
29 negotiation between the gas company and the landholder.
30 Gas companies can continue to design their own compensation
31 schemes and landholders are in the best position to
32 determine what compensation is appropriate for them.
33 We will be talking more about the model and our other draft
34 recommendations later this morning.

35
36 While our review is about compensation for land
37 access, stakeholders have told us that getting a good
38 outcome from a land access agreement is about more than
39 just compensation. Conduct is just as important as
40 compensation.

41
42 Conduct arrangements in a land access agreement
43 include determining the most suitable location of gas
44 infrastructure, determining notice periods and times of
45 access. Landholders and gas companies need to take time to
46 understand each other's business and work together to make
47 the arrangements work for both sides.

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1
2 We also heard from people who don't want coal seam gas
3 in New South Wales. They consider it is too risky to human
4 health and the environment or that the appropriate
5 regulatory and legislative frameworks are not yet in place.
6 Others commented that our review should consider
7 compensation for when things go wrong.
8
9 These matters are outside the scope of our review.
10 Our review is one part of the New South Wales government's
11 policy framework for the gas industry set out in the New
12 South Wales gas plan.
13
14 There are a range of environmental and other
15 regulations in place including that all coal seam gas
16 activities are subject to environmental protection
17 licences. New measures are also being implemented as part
18 of the gas plan.
19
20 The New South Wales government is also consulting on a
21 Community Benefits Fund which aims to ensure that
22 communities in which the gas industry operates benefit from
23 those activities through the funding of local projects in
24 those communities.
25
26 Today's forum has two sessions. The first session
27 provides an overview of our draft recommendations; the
28 second session focuses on the compensation model including
29 an example of how it would work. There will be time after
30 both sessions for comments or questions.
31
32 A transcriber is present today to record the
33 proceedings and the transcript will be made available our
34 website probably later this week or next week.
35
36 I will now invite John Smith from IPART's secretariat
37 to provide an overview of our draft decisions and after
38 that we will call for questions and comments. Thank you;
39 John.
40
41 SESSION 1: IPART'S DRAFT RECOMMENDATIONS
42
43 MR SMITH: Thank you, Mr Chairman. Our first
44 recommendation is that landholders use our compensation
45 model to help them assess an offer of compensation from a
46 gas company. We have recommended this model in response
47 to two common themes that arose in the submissions to our

1 issues paper and during discussions with stakeholders.
2
3 The first is that a one-size-fits-all approach won't
4 work; the second is that land access negotiations will be
5 complex and landholders should get professional advice.
6 This could include legal, accounting and tax, valuation and
7 specialist farming advice.
8
9 Taking this feedback on board, we formed the view that
10 dollar benchmarks or dollar ranges would not provide much
11 support for landholders. Instead, we need a framework that
12 takes into account all the relevant impacts that
13 landholders should receive compensation for - we refer to
14 these as the relevant heads of compensation - the framework
15 also needs to take into account landholders' individual
16 circumstances; and also the need for professional
17 independent valuation advice.
18
19 The compensation model is based on ideas from
20 compulsory land acquisitions. If the government acquires
21 part of your land for a public purpose, like an easement or
22 an electricity transmission line, you are entitled to fair
23 compensation.
24
25 The heads of compensation for partial land
26 acquisitions are well-established and we think these can be
27 applied to coal seam gas projects.
28
29 The impacts that we think landholders should receive
30 compensation for - or the heads of compensation - include:
31 The value of land used by the gas company;
32 The impacts on the value of the landholder's residual
33 land through severance - severance relates to the physical
34 locations of gas wells around a CSG structure that might
35 reduce the productivity of the remaining land - and
36 injurious affection, which means all other impacts on the
37 residual land, for example, nuisance from noise, or loss of
38 visual amenity.
39 Disturbance includes the fees that landholders incur
40 to get professional advice, payment for their time dealing
41 with the gas company and the costs of rectifying any
42 damage, for example, damage to stock, crops or property.
43
44 A qualified valuer would normally provide advice on
45 land values and impacts from gas projects on residual land
46 values. The valuer would undertake an on-ground survey to
47 understand how the gas project would affect the landholder

1 and would consider market sales evidence.
2
3 Our aim is that the model will help landholders assess
4 the reasonableness of an offer of compensation from a gas
5 company. We don't expect that the model will replace
6 negotiation between a landholder and a gas company.
7 Landholders are in the best position to determine what
8 compensation is appropriate for them.
9
10 As mentioned earlier, we will run through an example
11 of how the model works later today.
12
13 So far we have been thinking of compensation so that
14 landholders are no better or worse off as a result of a gas
15 project. However our terms of reference for this review
16 ask that landholders also share the benefits of gas
17 production. In our compensation model, we have also
18 included a benefit - or incentive - payment.
19
20 We are recommending that gas companies fund these
21 payments themselves when a project reaches the production
22 stage. We are not recommending that benefit payments be
23 made through New South Wales government royalty payments,
24 which was an option outlined in our issues paper. Both
25 Santos and AGL include incentive payments as part of their
26 overall compensation arrangements.
27
28 We also considered the issue of compensation for
29 neighbours located near a gas project. Stakeholders had
30 different views on whether neighbours should receive
31 compensation.
32
33 Neighbours who are affected by a gas project need to
34 be identified and the impacts on them managed to reasonable
35 levels through environmental licences and planning
36 approvals. In the event that impacts like noise or
37 operating hours exceed reasonable levels, a written
38 agreement needs to be made. It is in these instances -
39 where impacts exceed reasonable levels - that we recommend
40 compensation be made to neighbours.
41
42 At a minimum, compensation would be the equivalent of
43 an allowance to relocate during the period when impacts
44 exceed reasonable levels. We understand it's often not
45 possible to physically relocate, however, in our view, a
46 relocation allowance will form a minimum benchmark for
47 compensation.

1
2 The New South Wales government is also currently
3 designing a Community Benefits Fund which aims to provide
4 benefits to neighbours and the broader community in which
5 the gas industry operates - namely, benefits through local
6 funding for projects.
7
8 Our draft report also includes other recommendations
9 to support landholders. In our view, the legislative
10 provisions for compensation should be broadened to include
11 all relevant impacts on landholders and to support New
12 South Wales landholders receiving compensation at least as
13 good as other parts of Australia. We are recommending that
14 legislation in New South Wales be brought in line with the
15 Queensland legislation ensuring, for example, that impacts
16 on residual land are included.
17
18 We are also recommending that the NSW Farmers
19 Association be funded to take on two key roles. The first
20 is to run workshops to provide landholders with independent
21 advice on how to approach negotiations for land access and
22 compensation. The workshops run by AgForce in Queensland
23 are well-regarded by landholders and others in the gas
24 industry and we think a similar model would work well in
25 New South Wales. We think NSW Farmers is well-placed to
26 take on this role and has provided similar workshops in the
27 past.
28
29 We also recommend that NSW Farmers host a voluntary
30 and non-identifying public register of compensation
31 payments. As more landholders provide information, this
32 would be a useful resource for other landholders and would
33 provide transparency around compensation.
34
35 GENERAL Q&A
36
37 THE CHAIRMAN: Thank you very much, John. Now, we will
38 call for any questions or comments from the floor. We have
39 a roving microphone, so if you would like to ask a question
40 or make a comment, please raise your hand. Please identify
41 yourself and the organisation with which you are affiliated
42 if there is one. Are there any questions or comments from
43 anyone?
44
45 MR PICKARD: I'd like to say a few points. I consider
46 IPART --
47

1 THE CHAIRMAN: Could you identify yourself, please.
2
3 MR PICKARD: I am sorry. My name is Tony Pickard. I'm a
4 private landholder. I'm a neighbour of Santos and,
5 previous to that, Eastern Star Gas.
6
7 I consider IPART has let the public down in its
8 decision on this issue, in that the public at large was
9 hoping that IPART would have at least set a recognised
10 baseline benchmark of compensation for both landholders and
11 the next-door neighbours.
12
13 I have been involved with the CSG industry since 2006
14 and I can assure you that neither company have been very
15 good neighbours. When it comes to noise to a neighbour
16 next door that has been reported to Santos, Santos says,
17 "It never happens." Trucks move up and down the roads out
18 front of my place and the side of my place - it is a gravel
19 road, it's up a hill - all night and they are operating on
20 Dewhurst 8 next door. Again when we report that to Santos,
21 "No, it didn't happen."
22
23 You don't think that this operation doesn't affect
24 neighbours - it affects neighbours something fierce. You
25 don't think they are entitled to compensation - of course
26 they are entitled to compensation. They are subject to the
27 dust off the traffic, they are subject to the noise and, at
28 times, are subject to the light.
29
30 Also I object to being referred to as an opponent of
31 CSG. I am on record as saying that I am not opposed to
32 mining of any type or gas extraction provided it meets
33 three principles: respect for their neighbours and the
34 people in their area; respect for the environment; and
35 respect for the laws of the land.
36
37 Now, I would like an apology from IPART on that
38 because I am not opposed; I am questioning the industry,
39 the validity of the industry and the truth of this
40 industry.
41
42 When we come to the next part, you wait and see, I'm
43 going to open up about some of the figures you have been
44 given. Thank you.
45
46 THE CHAIRMAN: Thank you very much, Tony. Would
47 anybody else like to speak from the audience?

1
2 MR QUINCE: My name is David Quince. I'm a farmer and
3 grazier from down near Mullaley at Tambar Springs. I'm
4 also chairman of the Mullaley Gas and Pipeline Accord as
5 well as being a councillor on the Gunnedah Shire Council.
6
7 I'm a bit stunned as to why IPART is here. It is a
8 bit like putting the cart before the horse, so to speak.
9 We have had all the recommendations made by Mary O'Kane
10 which the government has not in any way implemented or
11 started to set up; yet you are here talking about
12 compensation.
13
14 You must realise the sort of opposition this industry
15 is experiencing from the communities up here. Lock the
16 Gate have done gas surveys which have covered some
17 3 million hectares where over 96.5 per cent of the
18 landholders have said they want to be gasfield free. They
19 are not interested in having the industry on their land.
20
21 The other thing is I'm a bit amused that we have an MOU
22 between, supposedly, the gas companies and NSW Farmers
23 that is basically saying that anybody who doesn't want this
24 industry on their land doesn't have to have it, which has
25 been endorsed by the government. Therefore, what is IPART
26 doing as far as this question of compensation for CSG is
27 concerned?
28
29 THE CHAIRMAN: Thank you, David. Perhaps I can say
30 something. What IPART is doing is that the government
31 requested IPART to develop a benchmark model for
32 compensation between landholders and gas companies where
33 there is gas exploration taking place on their land. If
34 there is no gas exploration taking place, then it doesn't
35 apply. The government asked us to do this as part of the
36 gas plan. This is just one component of the gas plan.
37 There are a number of other components. So that's why
38 we're here.
39
40 The reason why we are here - just a second, David - is
41 because we're interested in getting views and input
42 including the views and input of people like Tony and
43 David. Thank you. Yes, David?
44
45 MR QUINCE: If that's the case, could you please tell me
46 then if this is about CSG development that's going on on
47 people's land that is approved, why do we need

1 compensation? Surely if they have let them come onto their
2 land, they would have reasons - obviously financial
3 inducement - for letting them onto their land.

4
5 The other thing is too who on IPART has agricultural
6 expertise for a start? I just wonder how many of you have
7 been up to Queensland and actually had a look at the
8 industry first-hand. I can assure you I've had over
9 40 years of experience agriculturally. I have been up to
10 Queensland. I have seen this industry up there and there
11 is no way there is any co-existence between agriculture and
12 this industry.

13
14 What's more, the local member here, Kevin Humphries,
15 in a conversation that I had with him - after returning
16 from a visit in Queensland last year at AgQuip, after
17 I went to the Santos Fairfield CSG gas fields - said that
18 he accepted the fact that there was not any co-existence
19 and he thought most of the properties had been bought out
20 by the company.

21
22 MS CIESIOLKA: My name is Sarah Ciesiolka. I am a farmer
23 from near Wee Waa. I wanted to follow on from that line
24 about co-existence. Back in July of this year, I met with
25 the Minister for Industry, Resources and Energy, Anthony
26 Roberts. I questioned him with regard to statements he had
27 made in the local press with regards to the co-existence of
28 agriculture and the coal seam gas industry here at
29 Narrabri. I asked Mr Roberts to provide some evidence or
30 some studies for that particular position.

31
32 Mr Roberts, the Minister for Industry, Resources and
33 Energy, advised that there is no evidence for that
34 position, that agriculture and coal seam gas cannot
35 co-exist.

36
37 THE CHAIRMAN: Sorry, Sarah, there was no evidence for
38 what? Could you just repeat the last bit that you said?

39
40 MS CIESIOLKA: I asked the minister for some examples or
41 some studies, some evidence of the co-existence of
42 agriculture and coal seam gas, and he advised that there is
43 none. So essentially we have one industry running over the
44 top of another industry.

45
46 THE CHAIRMAN: Thanks very much, Sarah. Just for the
47 record, staff have been to Queensland and staff have been

1 consulting with landholders in Queensland so we have had
2 some exposure, thank you.

3
4 The next speaker is Tony, I think.

5
6 MR PICKARD: Just on that compensation angle and the
7 tie-up that you might like to make with the Community
8 Benefits Fund, Santos has stated in its submission to you
9 that the neighbour is not entitled to any compensation as
10 he will be justly compensated through the regional
11 Community Benefits Fund. Until the distribution of that
12 fund is properly designed and the distribution is worked
13 out and how it's supposed to be laid out, the neighbour
14 gets nothing. Even then, there is no guarantee that the
15 neighbour will get anything or any benefit whatsoever from
16 the regional Community Benefits Fund. I think IPART needs
17 to think very quickly and very thoroughly about giving
18 neighbours some sort of recognition in this set-up.

19
20 The other thing, of course, is you mentioned various
21 Acts of parliament and regulatory regulations, I can
22 assure you, with the neighbours, you that this is treading
23 a minefield. It is deliberately - deliberately - favouring
24 the coal seam gas industry and the coal industry. It does
25 not favour the neighbours.

26
27 THE CHAIRMAN: It is a bit inconvenient only having one
28 microphone, I apologise, but, Tony, one of our
29 recommendations is that neighbours should be compensated.
30 We have not adopted the decision put by Santos in the draft
31 report, and that is why we have these consultations so that
32 we can test our draft recommendations. I would be very
33 interested in your comments and other people's comments on
34 our draft recommendation with respect to neighbours. Do
35 you want to follow up on this, Tony?

36
37 MR PICKARD: Yes, if you don't mind.

38
39 THE CHAIRMAN: Okay, Tony, and then there are some
40 other speakers.

41
42 MR PICKARD: I'll be brief on this one. In my remarks, I
43 think I did make mention to the neighbour's compensation
44 for noise, dust and light that you have listed in your
45 thing there.

46
47 I had a conversation with your CEO earlier on and a

1 little later on I had a good four-hour conversation with
2 the gentleman on the end regarding this and other matters.
3 I can assure you that the noises that come out of the
4 companies are at night when everything out in the forest is
5 still and quiet. There were no metering devices referred
6 to in your recommendations. The companies have said, "We
7 don't make that much noise in our studies."
8

9 In 2009, Eastern Star Gas took the same line and was
10 forced by the Office of Coal Seam Gas, eventually, to do a
11 noise study on their drilling operation next door and it
12 was found to exceed the limits. Eastern Star Gas then
13 turned around and said, "Well, when you hear the noise and
14 you think that it's too much, we will then offer you
15 accommodation in the motel in town." Whoopie-doo! Okay?
16 Now, that's an example
17

18 THE CHAIRMAN: Thank you, Tony..
19

20 MR WATSON: My name is Peter Watson. I'm a farmer at
21 Boggabri. I just wanted to ask about your consultation
22 process in Queensland. The Narrabri shire had a project in
23 2013 to bring down some people from the Condamine
24 Alliance to discuss with people in Boggabri really what was
25 happening with coal seam gas and co-existence up there.
26

27 One thing they talked about was the consultation
28 fatigue of the people who were part of this or who had
29 concerns about these projects going ahead. My question is:
30 how do you know how successful your consultation process
31 is? When people are continually trying to put their
32 concerns forward about these projects, how do you know that
33 you have accurately captured what their problems are?
34 Could you explain what process went on up there so we can
35 understand how you collected that information and that you
36 were not collect information that the resource companies
37 wanted you to collect, because they are quite happy to help
38 to fund those processes, as we know down here.
39

40 Thank you, Peter. Yes, David?
41

42 MR QUINCE: I would like to draw your attention to this:
43 Is IPART aware of the 1999 report from the committee on
44 land use and coal resources chaired by Mr Brad Mullard?
45 The report is some 80 pages long and it describes, with
46 extreme accuracy that there is no co-existence between
47 agricultural land use and coalmining or CSG. It outlines

1 ways and means to circumvent the conflicting nature of both
2 these industries.
3

4 THE CHAIRMAN: Thank you, David. I'll ask John to answer
5 that question about consultations in Queensland.
6

7 MR SMITH: In regards to consultation, I guess it is
8 important to remember that we invite comments from everyone
9 in the community. We advertise locally in local areas
10 where there is coal seam gas and invite comments from
11 everyone. We accept submissions from everyone.
12

13 We spoke with landholders up in Queensland. In terms
14 of the landholders around Narrabri, we asked for contacts
15 through Cotton Australia and NSW Farmers - with regard to
16 the people it would be good to speak to. That was how we
17 chose people to speak to individually. With our draft
18 report, we will be asking for submissions from anyone who
19 is interested as well.
20

21 THE CHAIRMAN: Yes, we have another question?
22

23 MR DONALDSON: My name is Alistair Donaldson. I come
24 from just west of Boggabri and the south-east edge of the
25 Namoi project area.
26

27 On the NSW Farmers side of things and as to whether
28 they are a worthwhile spokesperson for this industry and
29 the farmers affected, I have lived and worked in the area for
30 50 years, my family for literally decades and generations,
31 and we have given up our membership on account
32 of the fact that we don't really think they represent us at
33 all. With regard to the people in these affected areas
34 there is virtually limited membership. I don't think they
35 are representing people across industry at all whatsoever.
36

37 Just to come back to what David Quince said earlier on
38 with regard to the MOU between Santos and AGL brokered
39 through NSW Farmers and a few other organisations, I cannot
40 understand why IPART needs to be part of this process.
41 Through Santos's and AGL's own admission, this is a private
42 negotiation between two business entities, so why should
43 there be any regulatory process? Surely if landholders
44 want to enter into an agreement with what is effectively an
45 extremely unpopular industry out there in the wider
46 community, why should there be any regulatory help on
47 behalf of those people?

1
2 In the case of Santos and AGL if it comes down to
3 infrastructure such as pipelines, they have made no bones
4 about stating the fact that they will force people to
5 arbitrations as far as pipelines are concerned, but so far
6 as exploration from gas drilling and production, that's a
7 voluntary agreement. In the case of pipelines and
8 infrastructure, I see no reason why there should be some
9 sort of a pipeline involved there because that has been
10 forced upon these landholders against their will. But so
11 far as exploration and production is concerned under a
12 voluntary arrangement, I cannot understand why you guys
13 are involved. Thank you.
14
15 THE CHAIRMAN: Thank you, Alistair, and we agree. It is a
16 private negotiation between landholders and gas companies
17 and it is not a regulatory process. We are not stepping in
18 as a regulator.
19
20 What happened is that the New South Wales government
21 asked us to develop a compensation benchmark model which
22 would then be made available to landholders to use to
23 assist them in any negotiations, if they want to. They
24 don't have to use it. There's no issue here of IPART being
25 invited in to regulate what is essentially a private
26 negotiation between landholders and gas companies, so we
27 agree.
28
29 The reason why we are doing this is because the New
30 South Wales government, which is the democratically elected
31 government, asked us to do it. It is not a part of our
32 regulatory responsibilities. But thanks very much for your
33 contribution because it's important to clarify that issue.
34 Yes, David?
35
36 MR QUINCE: Just getting back to my earlier comments about
37 land uses affecting coalmining, in that document that
38 I mentioned, they actually outline land uses affecting
39 coalmining, and they include coal seam gas mining in this.
40 First off is conservation areas: Second is urban
41 development, and infrastructures, which is obviously roads,
42 bridges and the like; stored bodies of water - dams. They
43 also refer to prime agricultural land, Commonwealth land,
44 natural features, heritage sites, groundwater reserves.
45
46 In this particular document, they list agriculture and
47 national parks as being the greatest threat to New South

1 Wales' magnificent mining resources. What a terrible
2 indictment that is. What an absolutely shocking indictment
3 that is. I think everybody needs to know that. Here we
4 are looking at the extractive industry as being more
5 important than food and the environment. It is a very sad
6 and sorry state that we have got to at this stage.
7
8 I might again reiterate that, okay, IPART might have
9 visited Queensland but who there has agricultural
10 experience, please?
11
12 MS HUNTER: My name is Sally Hunter. I'm with the People
13 for the Plains group. I guess we had a few concerns when
14 going through your guidelines. It feels like it continues
15 to be the landholders' responsibility to come up with these
16 things, to negotiate these agreements and then to enforce
17 these agreements, and the same goes for the neighbours. We
18 are very concerned that it is up to the neighbours
19 themselves to prove that conditions have been breached and
20 that the level of dust and noise is beyond what the
21 government has allowed. That falls back to the landholder
22 who lives next door, so then the onus to prove that falls
23 onto them, which is very concerning.
24
25 Again it falls back to the landholders to negotiate
26 this agreement. Whilst you put in place a guide, as you
27 pointed out, no-one has to follow that. There is nothing
28 to say that anyone has to follow that; it's simply a guide.
29 Really, at the end of the day, it comes back to how well
30 landholders are able to negotiate and the skills that they
31 have or their abilities to access other skills, which
32 I think is a bit concerning for some landholders.
33
34 The other part that I can bring my experience to is
35 that, as I understand from my friends in Queensland, there
36 is the issue of the time that it takes to police the access
37 agreements ongoing for years on end. I know landholders
38 who spend their whole time chasing up and following around
39 making sure that the conditions of the access agreement are
40 implemented. That time burden is something that no
41 compensation can cover.
42
43 There has been media coverage in Queensland about that
44 issue and the fact that compensation does not outweigh the
45 time involved and also that impost to your quality of life,
46 let alone the loss of production from having to take that
47 time away. Thank you.

1
2 THE CHAIRMAN: Thanks, Sally. Just on one of your points,
3 one of the things we do say is that there should be
4 compensation for landholders' time taken to negotiate and
5 monitor these --
6
7 MS HUNTER: Is it the monitoring as well?
8
9 THE CHAIRMAN: Yes.
10
11 MS HUNTER: Is that included in the spreadsheet?
12
13 THE CHAIRMAN: Yes.
14
15 MS TOWERS: You put your estimate of time in there.
16
17 THE CHAIRMAN: Yes, so we have taken that on board, but
18 we will take on board your contribution to make sure that we
19 have given that sufficient prominence.
20
21 You will be pleased to know, David, that I am a
22 landholder in Victoria.
23
24 MR SMITH: I would like to add one more thing to that. We
25 certainly agree that land access agreements can be complex
26 and landholders should have access to professional advice.
27 We don't think they should have to do it by themselves, so
28 our model also includes the costs of getting professional
29 advice.
30
31 The New South Wales government is also doing some
32 separate work to change the legislation so that landholders
33 can get compensation for their time and for professional
34 advice.
35
36 THE CHAIRMAN: Yes, Peter?.
37
38 MR WATSON: I wonder what IPART's view is on the whole
39 monitoring process that landholders need to undertake. As
40 farmers, we certainly don't want to turn into policemen or
41 people who then have to spend their whole time monitoring.
42 I live next door to the Maules Creek mine and the Boggabri
43 goldmine. I see their security guards on duty pretty well
44 24/7. I guess, as a landholder, I don't want to have to
45 undertake that task and I don't necessarily want to pay
46 someone to come in and monitor someone who is driving on
47 my property to monitor what their business is.

1
2 What's IPART's view on that? Are you pricing that out
3 as a dollar per hour rate for the farmer - and most farmers
4 would undervalue their time - or are you pricing it out as
5 a contract rate to pay a professional to go and monitor it?
6 Ultimately, farmers don't want to be policemen. We want to
7 be able to do what we want to do for work on our property.
8 We don't want to spend hours of our time monitoring another
9 business, which will pretty well be enforced on us. If
10 this process continues the way it is going, it is going to
11 be enforced on us. We will be the ones who will have to
12 enforce the rules that are put in place by the government
13 to allow these projects to go ahead. The same thing
14 happened with coalmining and it looks as if it will happen
15 with gas. The question is: how do you value landholders'
16 time as policemen?
17
18 MR SMITH: The compensation model includes an entry for
19 the amount of time you spent both upfront signing
20 the agreement and then on an ongoing basis managing the
21 agreement or doing monitoring, as you call it.
22
23 You can put in a value for your own time. We are not
24 going to value your time for you. You could put in an
25 estimate of your own value of your time or what it
26 would cost you to get someone else to do it
27
28 MR CAMPBELL: My name is Ron Campbell. I'm a business
29 person in Narrabri. I own a waste company in Narrabri.
30 I work for the mines -- most of the mines. I work for most
31 of the agricultural industries in the district as well as
32 most businesses assisting them with their waste needs and
33 recycling needs. I also work for Santos, certainly not a
34 lot at the moment, but I do some work for Santos as well.
35
36 Welcome, first of all, to Narrabri. It's a beautiful
37 place and it's a beautiful day, so I hope you enjoy a
38 little bit of time when you are here.
39
40 I didn't realise that this was a bit of a platform
41 here today. I thought it was largely about getting a
42 baseline or getting something that people, farmers,
43 interested parties could go to to recognise a starting
44 point of compensation if Santos or any other gas company or
45 mining company goes onto your land.
46
47 That's pretty simple. It's pretty basic. It is a

1 pretty good thing, from what I can understand, that there
2 is some sort of baseline there now for people. Some people
3 have commented, "What would I know as a farmer with regard
4 to trying to negotiate with these gas companies?" Well,
5 now we have a baseline to work from and I can't see that
6 that is not a good thing.

7
8 I am concerned when people make statements like,
9 "96 per cent of local people or people in the district
10 don't want this thing going on in the community." Where
11 they get those figures from, I'm not quite sure. Maybe it
12 is at a barbecue with their friends, I'm not sure. Those
13 sorts of figures can only be sprouted out when they are
14 done by a legitimate independent organisation, so it's
15 easy to say that.

16
17 I am involved also with the Yes 2 Gas from the Pilliga
18 organisation that we set up here in Narrabri to give
19 another voice to the protest. We have found through that
20 organisation, and I have found through my involvement in
21 the community, that there is certainly not that lack of
22 support in the community, certainly in Narrabri. I know
23 most farmers around the district too. I know many that are
24 against it, but I also know many that are for it or are
25 ambivalent about it. You made the statement that there
26 were 28 submissions with regards to this; is that correct?

27
28 MR SMITH: Yes

29
30 MR CAMPBELL: Some were positive, some were negative.
31 Does that show a massive interest in the coal seam gas
32 industry here in Narrabri or a massive concern within the
33 community? I don't think it does. Maybe in Mullaley, they are
34 very much more anti than they are here in Narrabri. As a
35 businessman who works in the community every day, who is
36 associated with every facet of the community through the
37 nature of my business and through the nature of my interest
38 in this, there certainly is not the discord in the
39 community that some may say there is.

40
41 THE CHAIRMAN: Thank you, Ron. David, and then Sarah.

42
43 MR QUINCE: In reply to the last speaker, those figures
44 that I quoted of 96.5 per cent of landholders against CSG
45 on their land came from a survey carried out by Lock the
46 Gate. I can assure you that it would pass any scrutiny
47 that anybody would like to give it. I would certainly

1 welcome Mr Campbell, if he wishes to, to follow that up and
2 verify that those figures can be justified.

3
4 The other thing that I would like to comment on and
5 that I cannot understand is why, after the gas statement of
6 opportunities brought out by the Australian Energy Market
7 Operator, are we going ahead with CSG? They specifically
8 said in 2015 that there was no shortage of gas on the
9 eastern seaboard of Australia. What they were talking
10 about was conventional gas. This can be proven by AGL's
11 recent purchase out of the Gippsland Bass Strait reserves
12 of gas that there is enough gas there to provide the
13 eastern seaboard of Australia definitely without going down
14 the track of this onshore unconventional gas mining, which
15 everybody knows poses potential risks to our underground
16 water. So why are we still going ahead with this when we
17 know quite well that there is enough gas available to
18 supply the needs of the eastern seaboard of Australia?

19
20 MS CIESIOLKA: I want to make a comment based on what
21 you said a little while ago. Basically, to my mind, all this
22 talk about compensation payments is designed as an attempt
23 to engender community acceptance of an industry that is
24 neither wanted nor needed here in Narrabri. In terms of
25 the comments around this providing a baseline, there is
26 absolutely nothing in this that is binding, and you have
27 said that yourself. Ultimately, it is up to how well an
28 individual landowner can negotiate with these massive
29 mining companies in what can hardly be described as a level
30 playing field. So there is no baseline; it is up to each
31 individual landholder.

32
33 THE CHAIRMAN: Thanks for those comments. Would
34 anyone else like to say something?

35
36 MR BARRETT: I apologise for coming in late, Mr Chairman.
37 I had a previous meeting, but I --

38
39 THE CHAIRMAN: Could you say who you are, please.

40
41 MR BARRETT: Sorry, I'm Hugh Barrett. I'm a resident of
42 Narrabri. I came in in time to hear the discussion about
43 what acceptance coal seam gas has in Narrabri. Mr Campbell
44 suggested that the figures showed that there was a lot of
45 support for it.

46
47 I am just looking around this room. I'm someone who

1 would like to have that question answered myself and it is
2 pretty hard. If you look around, you think maybe it's
3 fifty-fifty, maybe it's something else. I always like to
4 pick up a sample. I would be interested to have a sample
5 here to see how many people of those who are not employed
6 by Santos who are in favour of the CSG development in the
7 Pilliga.

8
9 Would those who are not employed by Santos raise your
10 hand. Ron, you would be one in favour, wouldn't you?

11
12 THE CHAIRMAN: Hugh, can I have the microphone, please.
13 Just let me intervene for a minute. Just as an
14 intervention, Hugh, this is not to take a plebiscite on
15 coal seam gas. This is about looking at the compensation
16 model that we have been asked to do by the New South Wales
17 government. Issues about whether additional coal seam gas
18 licences are issued or not issued, what sort of
19 environmental and other protections should be, those are
20 issues for the New South Wales government. I don't see
21 much point in taking a plebiscite of the people in the room
22 at this point. That is an issue which is not part of this
23 public forum

24
25 MR BARRETT: I apologise, Mr Chairman, as I have come in
26 late. Perhaps I am outside the terms of
27 reference, but the point I would like to make is that there
28 is a lot of concern about what you are addressing, because
29 the concern is that this is an industry, in fact, that we
30 don't want whatever the compensation package may be.

31
32 THE CHAIRMAN: Thank you, Hugh. Tony?

33
34 MR PICKARD: Getting back to the matters of compensation
35 again, I draw your attention to Santos's EPBC submission
36 I think in the year 2014. I know Mr Mitchley will have a
37 comment on this. As he says that we have to give the worst
38 case scenario. It says in there on page 65, in the last
39 paragraph:

40
41 The operations in the Pilliga State Forest
42 by dewatering the coal seam will -

43
44 The word "will" is there and Mr Hicks can verify that -

45
46 affect the groundwater of the
47 Gunnedah-Oxley Basin.

1
2 Now, they are a neighbour. Santos has admitted they will
3 affect them, so I think you should work out some sort of
4 compensation for them. They are neighbours, long distance,
5 but they are still neighbours of the operation. Now,
6 Mr Mitchley will tell you - and I am not going to dispute
7 it; he has voiced it many times - "We have to give the
8 worst possible case scenario." That's true, but the word
9 "will" is most important.

10
11 There is another thing I would like to mention. You mentioned
12 before that NSW Farmers have given you a list of people
13 to interview and talk to. That's fine. I am also a member
14 of NSW Farmers, have been, and I have been reporting
15 this since 2006. I wonder why the NSW Farmers never put my
16 name forward. Thank you.

17
18 THE CHAIRMAN: Yes, Sally?

19
20 MS HUNTER: Mr Boxall, I want to address a question to you
21 or maybe the secretariat. I wondered when you were
22 thinking through all this and the fact that there is no
23 ability for landholders to actually say no, how did that
24 figure in your thinking about compensation because
25 ultimately that's the only option that landholders have?
26 So how does that influence the compensation that's agreed
27 to?

28
29 THE CHAIRMAN: The way we thought about it is the
30 principle of compensation is that the landholders are left
31 no better or no worse off. In other words, for any
32 disturbance - say, a road through a paddock or something
33 like that - there needs to be compensation for that so that
34 they are left no better or no worse off.

35
36 Then on top of that it is a share in the production.
37 Once the coal seam gas comes into production, there is a
38 share in the benefits of the coal seam gas. That is the
39 thinking about it.

40
41 The issue about whether landholders have a right to
42 not allow or allow is really a separate issue. It is an
43 issue that goes to the legislation and it is not something
44 we are addressing.

45
46 So the way we have thought about it is as John Smith
47 has outlined. The first stage is the compensation to make

1 sure that they're no better or no worse off. The second
2 stage is the share in the production, and it's the share in
3 the production which actually gives something extra.
4
5 MR QUINCE: Regarding IPART's looking at this and looking
6 at compensation, obviously this industry has the potential
7 to cause contamination which might affect the viability of
8 our livestock or our agricultural industry. It has been
9 recently brought to our attention that, as landholders,
10 there is no insurance product that we can get to indemnify
11 ourselves against such effect. You might, under these
12 terms, perhaps enlighten us with regard to some sort of
13 insurance to protect our industries.
14
15 I would point out too that recently in the last couple
16 of years the state was affected or rather the whole of
17 Australia was affected by the Helix contamination, which
18 basically brought our livestock and cattle industry to its
19 knees. If this were to happen, and certainly there have
20 already been instances where cattle or livestock have had
21 access to affected water and they have turned up positive
22 results at abattoirs and been condemned. If our overseas
23 competitors or consumers get hold of that knowledge and run
24 with it, I feel the same effect might happen to our
25 livestock industries as occurred with Helix.
26
27 MS HUNTER: Just in response to your comments and, thanks,
28 Mr Boxall, I guess that base assumption that landholders
29 would be no better off or no worse off than before coal
30 seam gas comes onto their land is the concern, because
31 you're really saying, "Dollars will overcome all problems
32 with your life."
33
34 For landholders, this is not a 9 to 5 job where they
35 knock off and go home and walk away from this so they can
36 use their money to fix up whatever issues they have with
37 their life. Their life is entwined in the land. I think
38 it's impossible to cover that with a dollar figure. So
39 they will be worse off.
40
41 THE CHAIRMAN: Thanks, Sally. Just on that, there are
42 issues about compensation for lack of amenity and impact on
43 lifestyle and things like that. I grew up on a farm.
44 I know exactly what you are talking about. I'm a current
45 landholder. I do know exactly what you're talking about.
46
47 The issue is that there is flexibility in the model,

1 which we'll demonstrate after the break. There are options
2 there for landholders to fill in exactly those sorts of
3 things. It is not a matter of saying that dollars just cap
4 everything. This model we believe - and that is why we are
5 putting it out as a draft so that we can get input from the
6 likes of you and others - can accommodate a number of these
7 things, so we would be very interested in getting your
8 comments on that afterwards.
9
10 I think, Alistair, you are next.
11
12 MR DONALDSON: Thank you. Just to follow on with the same
13 issue, I am aware of a landholder in Queensland who has 180
14 wells on his property. At \$10,000 a hole, he has amassed
15 \$1.8 million per annum. You could suggest that he is
16 reasonably well compensated, but he is just wondering why
17 the hell he is doing it because he has 300 people at any one
18 time on his property. How do you compensate total loss of
19 quiet enjoyment? How do you know whether all the vehicles
20 that are rushing around your property are actually meant to
21 be there, or as Peter Watson said earlier on, some other
22 entity who has come on your land?
23
24 How do you compensate communities for this overall
25 function? Do you really just throw money on them? In the
26 case of my town of Boggabri, we have seen a reasonable
27 influx of cash and sponsorship. The community spirit in
28 Boggabri is pretty much held up by those people who were
29 there previous to the mining construction - a few old
30 people who are still part of the voluntary organisations
31 that keep the community wheels going.
32
33 By anyone's definition, how do you define a community?
34 It is about people coming together for the common good of
35 that community to do something on a voluntary basis.
36 Having a massive great extractive industries slush fund
37 will not solve the problem; in fact, it will probably make
38 the problem a whole lot worse. If we look at welfare
39 independent communities and talk about government welfare,
40 that doesn't make it a better community. It's the
41 community coming together with no cash involved, possibly
42 to raise money in the community for the benefit of the
43 community on a voluntary basis that gives you strength in
44 the community, not throwing cash at it. I think that this
45 whole Community Benefits Fund will be rather problematic.
46 Throwing cash at the issue will not solve the problem.
47 Thank you.

1
2 THE CHAIRMAN: Thank you, Alistair. Those comments, of
3 course, are on the record and the government is working on
4 the Community Benefits Fund. They will obviously take note
5 of that. They are designing that Community Benefits Fund
6 to address the sorts of issues that you have raised. Your
7 comment is on the record and that is a useful input. Thank
8 you. David?

9
10 MR QUINCE: You recently stated you were about
11 compensation for landholders that might be affected by the
12 coal seam gas industry so that they were no better off and
13 no worse off than they were before the industry started.
14 Just taking out the threat to the water or the land or the
15 impost on their production while this is going on, we're
16 talking about an industry that has a life span of 20, 25
17 years.

18
19 Are you going to also make sure, that with regard to
20 the extensive infrastructure - and if you have visited
21 Queensland, certainly you would see the maze of pipelines,
22 the maze of overhead high voltage power lines and all the
23 other quite extensive infrastructure - that this industry
24 needs, they are going to be made to tear it all down and
25 take it away? As I understand it, the pipelines and the
26 existing infrastructure are going to be left there as a
27 reminder of what has happened.

28
29 THE CHAIRMAN: Thanks, David. These are issues that go
30 to remediation after you have an extractive industry or a
31 mining industry, about clearing away infrastructure and
32 making good after you've completed the operation. Again,
33 that's on the record and that will be useful input for the
34 government. Thank you. Tony?

35
36 MR PICKARD: Further to the case for compensation to
37 neighbours, have you visited the Pilliga State Forest and
38 seen the spills on Bohena 2, Bohena 7 and the Bibblewindi
39 water treatment facility? I trust you have, particularly
40 at the Bibblewindi water treatment facility as it's well
41 documented. It occurred in the days of Eastern Star Gas
42 and there are some people in this room today who knew all
43 about it and hid the facts from the New South Wales
44 government and the regulator. That there bears out the
45 case that we have in trying to prove that anything has
46 happened.

47

1 This spill was caused by, according to the records,
2 10,000 litres of water. Now, according to government
3 records, the spill only occupied a 50 by 50 metre area
4 between the dam and the bank, particularly at pond number
5 2, and a half-acre site outside the area in the state
6 forest. It has now been mapped out and we find out that
7 half-acre site has grown to be almost two hectares in size.

8
9 An amount of that water was recovered, at least 50 per
10 cent of that water was recovered. So 5,000 litres of water
11 killed - and I will use the word "killed - two hectares of
12 ground. So what compensation is being worked out for the
13 neighbour if this happens, or for the landholder? How long
14 will it take? Santos has been working on this since 2012
15 trying to fix it up. The spill at Bohena 2 occurred in
16 2002 and it's still all dead out there. So, okay, what
17 compensation are you going to recommend to the government
18 by this review to cover this damage to a person's property?

19
20 The Office of Coal Seam Gas told Santos, "Throw water
21 at it. Dilute it." They did that and it grew. In their
22 own property at the Bibblewindi water treatment facility,
23 Santos dug the dirt up. They were supposed to do it
24 outside too, however financial constraints stopped them.
25 That soil - that contaminated soil - was used somewhere
26 else. Santos has now put new soil there and covered it
27 with blue metal. Now, for two years, they exposed that
28 area to the clay barrier underneath and virtually nothing
29 grew. So, please, hear our pleas about sensible and
30 intelligent compensation and set a proper benchmark, not a
31 benchmark model but a proper benchmark that is legally
32 enforceable. Thank you.

33
34 THE CHAIRMAN: Are there any more comments or
35 questions? Yes, Sarah, and Hugh.

36
37 MS CIESIOLKA: I would like to make one comment. I'm
38 concerned that you believe that money will solve all
39 problems in this debate. The reality is if we destroy the
40 land and the water and the biodiversity upon which our very
41 lives depend out here, then no amount of money will solve
42 that problem. In the same way if we destroy an aquifer, no
43 amount of money thrown at it at that point in time will
44 change the outcome

45
46 MR BARRETT: Mr Chairman, to me this whole talk of
47 compensation is analogous to something like a drug

1 addiction - take your money and get your hit and it
2 provides instant relief. I understand that townspeople and
3 the businesses in this town are suffering and they look at
4 this as their salvation. Landholders in drought experience
5 the same thing - take our hit and get our drug of choice.
6

7 But let's look at what we are going to be left with
8 after that. Look at West Virginia, look at Wales, look at
9 the Hunter in post mining scenarios. With the United
10 Nations saying 90 per cent of our fossil fuels need to be
11 left in the ground to avoid catastrophic global warming,
12 why are we even talking about tapping into this stuff.
13 When we are holding up the tsunami of renewables in the
14 forms of energy so why are we even talking about CSG and
15 why are we even talking about compensation?
16

17 THE CHAIRMAN: Thanks, Sally, and Hugh. Alistair, and
18 then David.
19

20 MR DONALDSON: Back on the Community Benefits Fund, I
21 am a bit concerned that we have a big slush fund of money
22 that is contributed to the community and perhaps administered
23 by the local shire council. I could envisage that council or
24 those communities becoming literally totally dependent on
25 the roll-out of this industry for their funding to the
26 point where they may start to lose other forms of funding
27 that would normally come through government state and
28 federal channels. That would effectively lock in this
29 industry purely based upon the royalties that local
30 government or the local communities would receive from that
31 entity.
32

33 That is very similar to the voluntary planning
34 agreements that you see in the mining industry which relate
35 to damage to infrastructure, and it will be considerable.
36 There has been a massive amount of damage to infrastructure
37 in Queensland obviously with high traffic loads with
38 trucks. So there does need to be compensation to those
39 entities to deal with that. I am just a bit concerned that
40 those entities would be literally without funding. Thank
41 you.
42

43 MR QUINCE: Just two items, Mr Chairman. I know you
44 have referred to the remediation and the repatriation of the
45 mining industry, but, as has been highlighted in the press
46 lately, this certainly does not occur. Anybody who has to
47 drive through the Hunter can see the holes and the scarring

1 and what is left and what sort of remediation is going on -
2 there was very little. The bonds that have been put up by
3 these companies, as has been stated by the experts recently
4 in the press, certainly don't pay for the full cost of this
5 sort of remediation.
6

7 When you have a look at this industry, and we only
8 have to have a look at America, there is a billion dollar
9 industry and that is the reparation for the coal seam gas
10 and gas and petroleum wells there. It is a billion dollar
11 industry. Who is going to pay for the reparation for these
12 coal seam gas wells? Although the companies like to think
13 that, after they close them down, they will last forever
14 and ever, that is just fanciful rubbish. They are an
15 engineered structure, and world experts on this issue have
16 stated they need constant attention and constant
17 monitoring.
18

19 THE CHAIRMAN: Tony?
20

21 MR PICKARD: I am harping on compensation a lot. Narrabri
22 Shire Council, to the best of my knowledge - I'm sure
23 Mr Meppem can help me on this one - does not have an access
24 agreement with Santos and did not have one with Eastern
25 Star Gas for the use of the land beside the roads. They
26 claim that they can't have an access agreement because of
27 the New South Wales government legislation that states that
28 pipelines fall in the same group; it's just the same as
29 anything else, therefore, it is a government thing.
30

31 Honestly, I think this needs to be looked at very
32 seriously and put into the right context. Maybe IPART
33 should look at checking up with the government and making
34 sure that Narrabri Shire Council is entitled to have an
35 access agreement and be given compensation not only for
36 future stuff but the past stuff.
37

38 There are pipelines on a number of council roads from
39 Leewood through to Wilga Park, and I think IPART should be
40 looking seriously at recommending altering any blocking
41 legislation that prevents Narrabri Shire Council from
42 having access agreements. Thank you
43

44 MS KELLY: My name is Kirsty Kelly. I am from People for
45 the Plains. I have a concern with the statement that it
46 would be at least as good as what's happening in other
47 states across Australia. I think that if you are going to

1 continue with something like this, it should aim to be
2 better and not just at least as good because we already
3 know that what is happening in other states is not good
4 enough. That was just my point.

5
6 THE CHAIRMAN: Thanks, Kirsty. That is in our terms of
7 reference. That is the government's position, but your
8 comments are now on the record and will be fed in, thank
9 you. The next speaker is just behind Kirsty, and then
10 David.

11
12 MR MURRAY: I'm Stuart Murray. I'm a farmer from around
13 Barraba. I've got exploration leases for Santos into my
14 farm and also Whitehaven. I have come to learn a bit about
15 the industry as a result of that.

16
17 It seems to me with the coal seam gas industry, we are
18 starting to forget the fact that the survey has been done
19 and it has been poo-pooed to by Mr Campbell.

20
21 I admit, yes, we have not surveyed Narrabri. If we
22 decided we wanted the wells in Narrabri and we did a survey
23 at Narrabri, we would probably find a lot of people would
24 be against it. Almost all the surveys are being done on
25 farmers and that's what really counts to these fellows
26 unless they can get into the national parks and forests
27 where they started.

28
29 If the agreement that the gas companies have made with
30 the farmer and with the government is that if we say no,
31 they will not come onto our farms, I'd like somebody to
32 answer the question: if 95 per cent of us don't want them,
33 is it viable for the industry to continue in New South
34 Wales, or certainly where the surveys have been done so
35 far? Maybe we will need compensation. If the 4 or 5 per
36 cent who did not say no they didn't want gas on their farms
37 is enough to support an industry, you would need
38 compensation for those other people and you're going to
39 need a hell of a lot of compensation for the guys that are
40 next door.

41
42 As far as the infrastructure goes, you're going to
43 need a compensation agreement for those people - that's if
44 they get that to go through. So one of the questions is:
45 is the industry going to be viable and will it go ahead if
46 only 4 per cent of the farmers agree to have it on their
47 properties?

1
2 MR QUINCE: There is another thing that I wanted to bring
3 to IPART's attention. As I recently introduced myself, I'm
4 also a councillor on Gunnedah Shire Council. I have
5 experienced what has happened in council because of the
6 impost of the mining companies in our shire and in
7 particular Santos, Shenhua, BHP and Whitehaven. Now, the
8 only one out of those is Whitehaven - they were paying some
9 mining rates - but certainly for the other companies named,
10 the impost on our shire caused the council to look at
11 raising the rates. As you well know, IPART was agreeable
12 to this to the extent of 40 per cent.

13
14 If we refer to Tony Windsor's FIFO document and the
15 impost on councils and the ratepayers of these shires
16 because of these extractive industries, then I see it as
17 quite unfair that rural people and ratepayers who have
18 already endured very tough times with droughts are now
19 forced to dig deep - even deeper - to cover basically the
20 impost that these mining companies are putting on the
21 shires' roads, structures, and services.

22
23 THE CHAIRMAN: Thank you, David. As you alluded to,
24 and as some people in the room might not know, IPART is
25 responsible for approving requests from councils for
26 special variations - that is, an increase in rates before
27 the rate peg - and a number of councils do put in a request
28 to increase rates on more than the rate peg. Often it's
29 related to mining activities and often the rate increase is
30 just on the mining activities. It's not borne by other
31 ratepayers. It is up to the council how they distribute
32 the rate increase. So there is a mechanism in the rating
33 for that to be taken care of. Tony?

34
35 MR PICKARD: Apologies to those who think I'm hogging the
36 limelight. Existing access agreements were brought up in
37 various submissions and IPART basically washed its hands of
38 it saying that it was not covered in this particular
39 review.

40
41 I think IPART ought to reverse that decision and cover
42 it in this review or at least recommend it, because what it
43 then does is it enables the companies to renegotiate access
44 agreements with whomever they want and give better deals
45 so. That again would put people on an uneven footing.

46
47 We gave you an example where a previous company had

1 negotiated the deal with a concern that there was virtually
2 no money. I believe IPART should look at this and
3 recommend to the government that all access agreements -
4 both past present - be brought up to a common level because
5 it does allow the gas companies to be selective in who they
6 look after. Thank you.
7
8 MS HUNTER: There were a few reports referenced in the
9 IPART draft, so it seems like there are a number of
10 processes happening at a government level and other levels
11 all at once. It seems to me that this IPART stuff that is
12 happening is putting the cart before the horse. There was
13 reference to the Community Benefits Fund. That is
14 undergoing its own process at the moment; yet, you have
15 said in your guide that the Community Benefits Fund would
16 have impacts relating to the decisions made about
17 compensation.
18
19 The Bret Walker report was also mentioned. I believe
20 it had some recommendations that are yet to be implemented.
21 Of course, the big one is the Chief Scientist's report.
22 The government has said it will implement those
23 recommendations, but that also has not been done.
24
25 My question is: is there any likelihood that IPART
26 will wait for the outcomes of these other processes before
27 they complete their work so that it can be comprehensive
28 and inclusive of that work?
29
30 MR SMITH: We are required to submit our final report to
31 the Minister for Industry, Resources and Energy by the end
32 of November, so we have to meet that time frame. It's a
33 matter for the government whether it has finished with the
34 Community Benefits Fund and the recommendations for the
35 Chief Scientist's report and the Walker review. It's a
36 matter for the government whether they get them done
37 before November.
38
39 MS HUNTER: Do you think it prudent to refer to those if
40 they are not finished?
41
42 MR SMITH: I think it's important to recognise there are
43 those other reviews going on and we recognise them as best
44 we can, but acknowledging that they are not finished yet so
45 we don't know how the final recommendations will look.
46
47 MS HUNTER: It's almost making an excuse for those

1 neighbourhood impacts because you say they will be covered
2 under this Community Benefits Fund which has not yet been
3 sorted out, so it's sort of --
4
5 THE CHAIRMAN: I think the distinction is if a
6 neighbouring farm, for example, would be impacted by the
7 drilling of the well and the various other activities.
8 Obviously noise and dust are two obvious ones. There are
9 other things like visual amenity and things like that.
10 That has been taken care of in our report because we have
11 addressed the issue of the compensation of neighbours.
12 Whether it has been addressed to everybody's satisfaction
13 is another issue, but we have addressed it and we have
14 received varying views in the submissions.
15
16 The Community Benefits Fund gets more to the issues
17 that Alistair has been talking about. It is issues about
18 the fund making available funds to the community more
19 broadly, not just neighbours, so that is the way we have
20 proceeded.
21
22 The thing is we were tasked to do this. The
23 government is obviously operating on a number of fronts,
24 and you have outlined three or four things that they are
25 doing. They have asked us to do this and when we finish
26 and give them our report in November they will then slot
27 that in with their other decisions.
28
29 MS HUNTER: So that particular reference needs to be
30 removed because, in the guide, it doesn't say neighbourhood
31 impacts will be taken into account under the Community
32 Benefits Fund.
33
34 THE CHAIRMAN: Let's look at that and make sure that the
35 distinction is clear. Thanks for that.
36
37 We are approaching morning tea time, but there is a
38 chance for a couple of more questions. Then we will have
39 morning tea and move on to discussing the model when there
40 will be a chance for more questions.
41
42 Sarah, did you have another question? .
43
44 MS CIESIOLKA: Yes, thank you. You have just spoken about
45 impacts for neighbours that are directly affected, but what
46 about landholders or downstream water users, who might
47 have their land and their water, their business, and potentially

1 the product that comes off their farm, impacted as a result
2 of operations that may not necessarily adjoin their
3 boundary fence? As landholders we are unable to mitigate
4 that particular issue through insurance so we are left
5 dangerously exposed and there is absolutely nothing in the
6 IPART report that addresses that issue.
7
8 MR SMITH: I would like to point out that there is a
9 common law right for landholders to claim for damages, for
10 any loss or damages, so that option is always open to a
11 landholder.
12
13 MR WATSON: But at the expense of the landowner.
14
15 MS CIESIOLKA: That's not going to really work out
16 practically, though, by the time --
17
18 THE CHAIRMAN: Sorry, not without a microphone. We will
19 come to you now, Sarah for a response, and then Alistair.
20
21 MS CIESIOLKA: I just wonder how that will play out on the
22 ground given that if your product is rejected at market
23 because of a potential contamination - essentially your
24 market is closed, your business is compromised - you're not
25 going to be in a position to potentially take a common law
26 case.
27
28 THE CHAIRMAN: Thanks for that. This is a very tricky
29 issue. So compensation for neighbours, which we discussed,
30 we have attempted to address that. This is an issue of,
31 for example, what happens if the CSG development and then
32 the following production ends up polluting water which goes
33 down the stream two farms down and impacts that farmer's
34 product; right? What happens when there is loss of market,
35 loss of product and things like that? As John Smith said,
36 that is an issue with regard to which that farmer would
37 have a right to take action against the gas company that
38 caused that.
39
40 You can't, in a sense, compensate in advance because
41 you don't know whether it is going to happen or not. Also
42 it's important to keep in mind that any gas exploration and
43 production is subject to various environmental and other
44 water permits, and a lot of these things need to be trashed
45 out before the actual licence is granted. However, in the
46 event that the licence is granted and there is something
47 like the hypothetical that you have outlined, then it is

1 open for compensation action to be taken against the gas
2 company. That is different from compensating a neighbour
3 living next door who's exposed to dust and disturbance,
4 noise, et cetera, during the construction and the following
5 production. But it is an important issue and we will give
6 the matter more thought, thank you. Yes, Alistair?
7
8 MR DONALDSON: Thank you. In the event that we do see
9 major resources involved in any community, it is true that
10 there are increased employment opportunities, I guess you
11 would say, for that particular area on a local scale.
12 Throughout the years, the mining industry will often tout
13 its employment opportunities, but the reality is that a lot
14 of these people - those resources and those skills - come
15 out of the existing community and these people were
16 previously employed in other industries.
17
18 I have spoken to businesses in Chinchilla, which is
19 probably the epicentre of the Surat Basin gasfields.
20 Businesses that are not actually related to the extractive
21 industry - so focusing on agriculture and other industries
22 such as local government - have minimal chance of passing
23 on their increased cost of production and maintaining
24 employees, and the general increased cost of production
25 environment that the extractive industries bring to a town,
26 like increased rent and the like.
27
28 Those businesses which tried to match the wages of the
29 extractive industry did not last very long at all - they
30 went out of business. Quite a number of those businesses
31 down-scaled or were mothballed. Some of them are starting
32 to pick up now because of the dog's breakfast of an
33 arrangement that's happening in the Surat Basin at the
34 moment with all the mass sackings in the winding down of
35 the gas industry.
36
37 There is this real ebb and flow of business fortunes
38 particularly for those in the extractive industries but
39 also for those that are not related to the non-extractive
40 industries. How do we keep those businesses going that
41 can't pass on their cost of production? How do we help
42 them retain their employees? In a lot of cases, those
43 businesses are the ones who have spent the money on
44 training those employees only to have them head-hunted by
45 the extractive industry because they must have their
46 employees at any one time. Is there an opportunity for
47 compensation for those small businesses to survive what is

1 an extractive industry boom? Thank you.
2
3 THE CHAIRMAN: One last question before morning tea. Yes,
4 Ron?
5
6 MR CAMPBELL: I'm sitting here listening to the
7 compensation requirements for the landholders right across
8 the district, which I suppose need to be quantified and
9 qualified. However, the reality is there is an operation
10 in the Pilliga Scrub that is the whole business of Santos
11 at the moment. I think they have 200 land access
12 agreements there now and --
13
14 MR DONALDSON: They have 40.
15
16 MR CAMPBELL: Is it 40? Well, that's a figure that was
17 in my head. I'm not quoting it for any big example of
18 anything, so settle down there, boys.
19
20 We talk about holes in the ground and all that sort of
21 stuff. This is a fact: there are 18,000 stock and
22 domestic irrigation bores in the Namoi catchment - not the
23 Narrabri shire, the Namoi catchment, which is a much larger
24 area. Within that area, there are many coal seams. All
25 you need to do is stand on top of Boggabri coalmine or
26 somewhere like that and you will see numerous coal seams
27 running through and they chase these individual coal seams
28 at varying depths of the hole. So for many, many years, if
29 not 100 years, there have been wells in this district that
30 have been drilled through coal seams.
31
32 MR WATSON: That's not true.
33
34 MR CAMPBELL: Well, that is true.
35
36 MR WATSON: You need to get your facts right
37
38 MR CAMPBELL: No, that is true.
39
40 MR WATSON: Those bores are (indistinct; simultaneous
41 speakers).
42
43 THE CHAIRMAN: Hang on, hang on. You can't really speak
44 without the microphone.
45
46 MR CAMPBELL: Unfortunately, I'm the only --
47

1 THE CHAIRMAN: Just a second, Peter. Ron, just a second.
2 Ron has the floor. If you want to speak, raise your hand
3 and we will deliver the microphone to you.
4
5 MR WATSON: I appreciate that, but if --
6
7 THE CHAIRMAN: Peter, you will get a chance. Yes, Ron?
8
9 MR CAMPBELL: This is what I see from a practical point of
10 view: if obviously bores have been drilled through coal
11 seams before, why has there not been an issue over the
12 years with regard to that? The integrity of the drilling
13 that Santos does is far, far superior and I don't need to
14 go through that with you people. You have all heard it
15 before. There is safety involved in it.
16
17 We all live in this community, not just farmers. There
18 are many more community members who need to make a
19 living. We understand, and we all have heard this many
20 times, that farming is a very effective and a very
21 efficient operation these days. It has required less and
22 less employment over the last 20 years, so the employment
23 opportunities within the farming industry these days are
24 not what they used to be. Do we just go, "Who else will
25 move to this area with regard to industry?" Who comes
26 here? Do we get a factory like MeadowLea or Arnott's
27 Biscuits? Will they come here? No, they won't come here.
28
29 No-one will come here. All we have up our sleeve in
30 this district is primary industry. There is obviously
31 farming, there is obviously forestry and fishing, although
32 there are not too many fishermen on the Namoi River that
33 take it seriously. All the primary industries are the only
34 opportunities we have in the district. Rather than be so
35 aggressive against varying opinions, we need to talk a
36 little bit more about what's required within the community,
37 what are the benefits and how will this pay out to be a
38 positive impact for Narrabri.
39
40 THE CHAIRMAN: Thanks, Ron. Now, Peter, very quickly,
41 and then we will have a break for morning tea. There will be
42 an opportunity after morning tea for further discussion.
43
44 MR WATSON: Thank, Mr Chairman, and my apologies for
45 the reaction. I'd be quite happy if Ron wanted to come out to
46 our property and discuss how those bores were drilled and
47 where those domestic bores are located. Clearly 99 per

1 cent or more of those would be in the alluvial aquifer
2 which sits above the coal seams and there is no interaction
3 between those levels, and he might even back me up on that.
4 I just feel that people might not understand that and that
5 really needs to be clarified and the information needs to
6 be corrected that has been presented today.

7
8 THE CHAIRMAN: Thank you. Thank you very much. It has
9 been a pretty interesting morning. Let us have morning tea
10 for half an hour. We will resume at 11.30 where we will
11 go through the model and there will be ample opportunity to
12 ask questions and make further comments, thank you.

13
14 SHORT ADJOURNMENT

15
16 THE CHAIRMAN: Let's resume the second session. In this
17 second session, we will concentrate on the compensation
18 spreadsheet model which we discussed earlier. Jenny Suh
19 from the IPART secretariat will now run through an example
20 of how to use the model. Thanks, Jenny.

21
22 SESSION 2: OVERVIEW OF IPART'S COMPENSATION MODEL

23
24 MS SUH: Thank you, Chairman. I will now take you
25 through an example of how the model can be used to estimate
26 compensation. You should have a copy of the model. I will
27 first describe inputs and present the result.

28
29 In our example, we have a landholder who has been
30 offered a 20-year access agreement by a gas company. The
31 gas company will provide compensation payment and a
32 benefit sharing incentive payment.

33
34 The landholder has a property of 50 hectares and the
35 estimated market value of the land is \$1,500 per hectare
36 and the estimated market rental rate is 7 per cent of the
37 market value of the land.

38
39 The model recognises that the impacts on the land and
40 landholders are different at different stages of a gas
41 project. For example, more land is required at an earlier
42 stage of a project when wells are being drilled and other
43 infrastructure is being constructed and, as a result,
44 impacts on landholders are typically greater at an early
45 stage of a CSG project. Hence the model allows different
46 land areas and impacts on the land for the first year and
47 for the second year onwards.

1
2 In our example, in 3(a), the gas company plans to use
3 seven hectares of land for well pads, hardstand and other
4 infrastructure in the first year and 2.25 hectares from the
5 second year onwards.

6
7 A valuer has estimated that the value of the residual
8 land - that is, the landholder's total landholding less the
9 land that is directly taken by the gas company - could
10 decrease by 10 per cent each year due to the physical
11 interference of the CSG activities.

12
13 Also, the valuer has estimated that the value of the
14 residual land will decrease by 30 per cent in the first
15 year and 20 per cent in the second year onwards due to
16 other impacts such as loss of visual amenity, noise, dust,
17 et cetera.

18
19 Moving to number 4, the model also includes
20 compensation for the landholder time and expert advice.
21 The landholder in our example estimates that they will
22 spend a total of 150 hours on negotiating the access
23 agreement and around 50 hours each year on work related to
24 the access agreement.

25
26 To estimate the total cost of the landholder time
27 spent on dealing with a gas company, the model requires the
28 value of the landholder time per hour. The landholder
29 considers that their time is worth \$50 per hour. As for
30 legal and professional fees, the landholder estimates that
31 it would cost \$40,000 to establish the access agreement.

32
33 Moving to part 5, the model requires two other assumptions.
34 The first one is a rate of return the landholder is expected
35 to earn on financial investment per year. This is
36 required to calculate a lump-sum upfront compensation
37 payment. So if you would like to calculate annual
38 compensation payments only, you do not need to provide
39 this information. However, to show you compensation
40 payments both in lump sum and annual payments,
41 we assume that the landholder plans to deposit annual
42 compensation payments in a savings account earning 3.5 per
43 cent per annum.

44
45 The compensation and incentive payments in the model
46 increase at the rate of inflation. We assumed an inflation
47 rate of 2.5 per cent per annum, which is the midpoint of

1 the Reserve Bank of Australia's inflation target rates.
2
3 Moving to the inputs for incentive payment, we assume
4 that the gas company expects to proceed to the production
5 stage in the fifth year of the access agreement and its
6 estimated annual incentive payment is \$10,000 per annum.
7
8 We have now provided all the necessary inputs so we
9 can move on to see the results.
10
11 So in Part A of this "Results" works sheet, you can
12 select "Lump-sum upfront payment" structure if you would
13 like to receive a single upfront compensation payment at
14 the beginning of the access agreement, or you can select
15 the annual payment structure if you'd like to receive a
16 series of annual compensation payments. Part B shows the
17 incentive payments.
18
19 Based on our input information, the landholder in our
20 example can expect to receive around \$50,000 in the first
21 year and around \$4,000 per annum from the second year
22 onwards as compensation payment, with this payment
23 increasing at the rate of inflation of 2.5 per cent. The
24 equivalent lump-sum upfront payment is around \$123,000.
25
26 As estimated by the gas company, the first incentive
27 payment of \$10,000 will be paid at the beginning of the
28 sixth year. The incentive payment also increases at the
29 rate of inflation each year.
30
31 Please consider that the assumptions we have used in
32 this example are for the illustration purpose only. In
33 using this model, landholders are expected to provide
34 information which reflects their own circumstances and we
35 expect that, in most cases, landholders would need
36 professional advice on how a CSG project may affect the
37 market value of their company.
38
39 THE CHAIRMAN: Thank you very much, Jenny. I thought
40 I would ask Armon from Santos to give a brief overview of
41 Santos compensation model and then we will open the floor
42 to questions and comments. Thanks, Armon.
43
44 MR HICKS: Thank you, Chairman, and thank you for the
45 indulgence. Can I start by thanking you and IPART for
46 attending and the members of the community who have come
47 along as well.

1
2 I start by saying that Santos recognises and agrees
3 with you on one important point and that is that it sees
4 the conduct of the relationship - both the negotiating and
5 the 20 to 30-year relationship - as the most important part
6 of its process.
7
8 To the people who suggested that this is putting the
9 cart before the horse, I agree; compensation is at the end
10 of the negotiation process and it should not be at the
11 beginning.
12
13 Can I also say that Santos in New South Wales has
14 learned from the industry's experience in Queensland. We
15 recognise the damage that was done by competition between
16 landholders for CSG. There is competition in Queensland
17 for the putting of wells on properties and we have seen
18 that happen in that state.
19
20 The principles that we apply in New South Wales are
21 that it is a public transparent process. The mechanics and
22 the formula for our compensation is available. It is
23 available on our website - I have copies of it here if
24 anyone wants to get a facts sheet based on it and it is
25 based on a publicly acceptable value. We base the value
26 that is at the bottom of our compensation package on the
27 Valuer General's values.
28
29 It's the same thing that councils give you for rates
30 notices, so we believe that it is a public agreed position.
31 The people know what the value is. There is no discussion,
32 no argument, no debate about what the land value is going
33 to be.
34
35 The other point is that the draft agreement is a bog
36 standard plain English agreement. There are no special
37 arrangements for various people. It is the same here in
38 New South Wales - you get one agreement.
39
40 Another point that I would like to pick up from the
41 discussion before I talk about some specific questions and
42 concerns we have about the spreadsheet is the argument
43 about co-existence. People have made the point very
44 strongly this morning about co-existence, but we would
45 argue the counterpoint of view.
46
47 That is not surprising, I suppose you would say, but

1 certainly the evidence in Queensland, where we have a
2 number of fields including around Roma, is that
3 co-existence does work, is valuable, and we have seen
4 landholders actually buying out other landholders so they
5 can work with us to put CSG facilities and infrastructure
6 on their property. I would point out also that that value
7 has been recognised by bankers and it is a way of
8 identifying and raising money if you're in the agriculture
9 industry to actually build and capitalise your properties.
10
11 Can I turn to some of the questions about the
12 spreadsheet, to start with a negative one. I assure any
13 landholder in New South Wales that Santos will never pay
14 lump sums. We have heard a lot of discussion this morning
15 about equity. To pay a lump sum payment on a property for
16 an activity that is going to take 20 to 30 years, in our
17 view, is inequitable. I suggest to the tribunal that the
18 outcome of that would be to see the landholder sell up and
19 move to the coast, the next landholder will move in and,
20 several generations later, our relationship would be
21 poisoned by the lack of compensation because a lump sum
22 payment had been paid, someone has won the lottery and
23 moved on. It is not our intention to do that. We intend
24 to pay on a regular basis over the full life of the
25 project.
26
27 In the same way we pay a service fee - a 30 grand
28 service fee - to each of our landholders on an annual
29 basis, we pay it on a monthly basis; we don't pay it as a
30 lump sum. It is about ensuring that there is equity across
31 the full term of the project, so it is very important that
32 I make it clear that a lump sum as a recommendation, if
33 IPART proceeds with that, is something we will not be
34 adopting in our arrangements here in New South Wales. It
35 is also something that has not worked in Queensland.
36
37 There are a couple of other points I want to make
38 about the actual spreadsheet. With regard to the question
39 you raised about the impact of value, you have recognised
40 that it goes down. Does the spreadsheet recognise that the
41 value increases as the value of the property increases?
42
43 THE CHAIRMAN: Yes.
44
45 MR HICKS: It is good to see that. I'm happy to answer
46 any questions about our arrangements, but I stress again
47 that it is a public process. We agree that one size

1 doesn't fit all, but it is important that there is not
2 competition and you don't breed competition between
3 landholders within one single project. Our arrangements
4 here in New South Wales are different from Queensland, and
5 they will be different from AGL's also. We recognise those
6 different arrangements will work here and we believe they
7 do.
8
9 THE CHAIRMAN: Thank you very much, Armon. Are there
10 any comments and questions? David?
11
12 GENERAL Q&A
13
14 MR QUINCE: I am sorry, I didn't catch the name of the
15 Santos representative, but he stated that the two entities
16 co-exist. Perhaps he might enlighten us about his
17 knowledge of NVDs.
18
19 THE CHAIRMAN: What are MVDs [sic]?
20
21 MR QUINCE: They are national vendor declarations, which
22 are the cornerstone of our livestock industry. Those
23 vendor declarations are the ones that landholders or
24 livestock producers have to sign often before they sell any
25 of their stock. It is about traceability and consumer
26 safety.
27
28 The Australian Meat and Livestock Corporation oversees
29 these NVDs. It has stated that the only way that a
30 landholder could indemnify himself regarding coal seam gas
31 or any of these extractive industries is to get a proponent
32 of those industries to do a farm risk assessment plan which
33 basically outlines how their industry might impact or
34 contaminate the livestock that the landholder produces.
35
36 We know that Santos and any of these companies state
37 that there is co-existence and there will be no impact on
38 these industries, but what are your chances of getting them
39 to do a risk assessment? Bear in mind that is the only way
40 that you can indemnify yourself against a prosecution
41 because if you fill out that form, that ticket, and those
42 cattle come back as contaminated, or the sheep or whatever
43 they are, you are liable and you can be prosecuted. The
44 only way you can indemnify yourself is for those companies
45 to do a risk assessment plan. It would be hard enough if
46 they're on your property, but if they're next door to your
47 property, I'd say your chances of getting them to do that

1 would be nil and Buckley's.
2
3 THE CHAIRMAN: Thank you, David. I thought you said
4 "MVD" not "NVD". Armon, would you like to comment?
5
6 MR HICKS: Yes, thank you, Mr Chairman. Just dealing with
7 the NVD - the national vendor declaration - yes, I am aware
8 of them. We do declare them. We raise and run cattle on
9 our own properties in Queensland and we are fully familiar
10 with the requirement of those NVDs.
11
12 In regard to the farm risk management plan, yes, we do
13 them. As part of undertakings that we have given as a
14 requirement of our land access arrangements, we are
15 required to do a farm management plan to identify the risks
16 and how we are going to manage them. They are the
17 requirements under the legislation of this state and it is
18 publicly stated on all our materials.
19
20 THE CHAIRMAN: Thanks, Armon. David?
21
22 MR QUINCE: It is interesting they referred to their own
23 properties up there. As I raised earlier, the subject of
24 the co-existence is well known. I think in Queensland
25 there are landholders who have taken Santos to court
26 because of the way that industry has impacted on their
27 agricultural businesses. They cannot run them in the most
28 economically viable way because the infrastructure
29 obstructs them from doing so, ie, overhead power lines, so
30 that they can't muster by air and they can't fertilise the
31 place.
32
33 The landholders who have been able to take these
34 companies to court have won in most cases and these
35 companies were forced to purchase their land, so that's why
36 these companies own land. It has been well documented in
37 The Land and Queensland Country Life that vast tracts of
38 land are up for lease and they are trying to make them
39 attractive to some of the larger cattle companies to
40 perhaps lease.
41
42 What was stated about a farm risk assessment plan
43 means that they would be prepared to do that on property
44 they don't own but their infrastructure is on there to
45 indemnify that landholder or producer.
46
47 THE CHAIRMAN: Thank you, David. Tony is next, and

1 then Stuart.
2
3 MR PICKARD: Just on what you've said, Armon, I'd like to
4 thank you for saying it. That explains now why my
5 neighbour offered me the same amount of money that Santos
6 did a few years ago, in August this year. I thank you for
7 clarifying that point. My neighbour wants to buy me out
8 and put gas wells on my property.
9
10 THE CHAIRMAN: Thank you. Yes, Stuart?
11
12 MR MURRAY: Talking about land values I wrote a letter to
13 our Courier paper a little while ago and I did a bit of
14 research, which included getting on to the internet to have
15 a look at what the Valuer General in Queensland said about
16 properties and their values. Either the information I got
17 from the Valuer General's reports is wrong or Santos is
18 wrong. I can't remember the exact figure, but I think in
19 grazing country, there was an overall reduction in value of
20 3 per cent, and I think farming country was done on an
21 individual basis because the effect of pipelines, roads and
22 things across farming country would be far, far more
23 drastic. To suggest that the price of farming land would
24 go up is just ridiculous. I don't deny that some
25 properties could have been bought at slightly higher
26 prices, but this is a big generalisation and I do not think
27 it is correct.
28
29 THE CHAIRMAN: Thank you, Stuart.
30
31 MS MOODY: ^ Annie moody from Santos in relation to your
32 point, Stuart, the Valuer General in Queensland has
33 obviously been doing quite a number of reports into
34 valuations of properties in the Western Downs and in the
35 Surat Basin. His last report was that coal seam gas wells
36 made no negligible difference to the value of a property.
37
38 There is anecdotal evidence that some properties
39 decrease in value; however, that is often in the case of
40 the smaller lot landholders particularly around areas like
41 Tara and Chinchilla. However, with the larger properties,
42 there is anecdotal evidence from quite a few of the real
43 estate agents, and from property sales up in that area,
44 that having a coal seam gas well with the agreed
45 compensation component that is ongoing over the term of the
46 infrastructure being on the property adds value to the
47 property.

1
2 I will only speak in relation to the area north of
3 Roma. Santos does not have exploration licences in the
4 area around the Western Downs, Chinchilla and Tara, so most
5 of the property holders and landholders that we deal with
6 in our PEL areas have larger holdings and often more wells,
7 so there are significantly higher levels of compensation
8 than in those other areas. There is strong evidence that
9 they are often approached in relation to selling those
10 properties because there is pretty well guaranteed income
11 for the next 20 years.

12
13 I might add one other comment in relation to our
14 relationship with the landholders in and around that Roma
15 area. I often say - anyone who has probably heard me speak
16 will have heard me say this - that if we have a
17 relationship with the landholder for the next 20 years
18 where we are going on to that property, we know right from
19 the very beginning that we have to have a good relationship
20 with them. We wouldn't want to put the landholder under
21 the stress of having someone with whom they don't have a
22 good relationship coming on to their property at least a
23 couple of times a week when we have maintenance operators
24 coming in doing assessments. Also there is no way that a
25 company like Santos would put their staff in a position
26 where they were having to deal with a hostile landholder on
27 a daily basis. So we enter our land access negotiations on
28 that basis and if the landholder indicates that they are
29 not interested, we walk away because it is not worth it.
30 It is a partnership.

31
32 THE CHAIRMAN: Thank you very much, Annie. Alistair
33 and then Sarah.

34
35 MR DONALDSON: Thank you, I have a question for Annie.
36 Does that mean that in the future we will see a principle
37 of buying up of land by gas speculators rather than
38 agriculturalists or farmers? Could you see that happening
39 in the future?

40
41 MS MOODY: No.

42
43 MR DONALDSON: I am referring to buying up of land by
44 foreign entities and multinational corporations where the
45 primary focus is gas and not agriculture because that will
46 not necessarily be good for our agricultural production.
47

1 MS MOODY: Most of the landholders are also looking to
2 continue to graze and farm that country. They are not
3 buying it and leaving the country bare. They are still
4 running cattle and farming the areas in cases where they
5 have bought those properties.

6
7 THE CHAIRMAN: Thank you. Sarah?

8
9 MR CIESIOLKA: I have two questions and I wish to put to
10 the first one to Annie. I'm wondering if you can quantify
11 how many CSG wells have been producing in Queensland for
12 over 20 years.

13
14 MS MOODY: I can give you that number, but I don't have
15 it here with me now. The last time that I actually sought
16 that information was over 12 months ago. From memory, at
17 that time, there had been around 30 wells that had been
18 producing in excess of 20 years. The coal seam gas
19 developments around Roma commenced in the 90s, but I'm
20 quite happy to get that number to you. It is public - it
21 is available.

22
23 THE CHAIRMAN: Thank you,

24
25 MR CIESIOLKA: I guess I'd also be interested in different
26 time frames, 10, 15 years. The reality is there are very
27 few coal seam gas wells in Queensland that have been
28 operating for in excess of 20 years in a proportion of the
29 numbers of wells that have been drilled

30
31 MS MOODY: Yes, you're right; there is a minimal number.
32 That is because the gas wells prior to the mid-90s were
33 conventional gas not coal seam gas, but as time goes on,
34 there will be more and more because most of the CSG
35 developments happened in the 90s. It is not because the
36 wells don't last that long; it's just that that's when
37 those wells were actually drilled and the industry that
38 developed prior to that was conventional gas

39
40 MR CIESIOLKA: Thank you, I will move on from that. In
41 terms of either the model that IPART is proposing or the
42 model that Santos currently operates under, where in either
43 model is there recognition of the water resources that
44 underlie the land and therefore obviously contribute to the
45 productivity of that land? In this region, we sit on the
46 greatest groundwater system in the Murray Darling Basin.
47 So those water resources are absolutely vital to the value

1 of that land, so I guess where is that recognition?
2
3 THE CHAIRMAN: On the spreadsheet, under "Residual land",
4 3(b), it says, "What is the estimated reduction" - it could
5 be increased - "in the value of the residual land." If
6 you were contemplating negotiating a coal seam gas
7 arrangement and there was concern about the impact on the
8 water, and hence on the productivity, which is the example
9 you've given, then you would expect that the value of the
10 land would go down and that would go into the model and it
11 would be taken into account in compensation. Jenny just
12 said, "That's right."
13
14 MR QUINCE: I notice under 3(b) it says, "What is an
15 estimated reduction in the value of the residual land due
16 to injurious affection", and the figure there is 30 per
17 cent. If the water is obviously injured to the extent
18 where it takes it out of use, the value obviously would be
19 far more than 30 per cent.
20
21 THE CHAIRMAN: David, you can put in your own number.
22 This is an example. It was made clear that these numbers
23 are examples.
24
25 David, if you have advice - even if you don't have
26 advice, but it is even better if you have advice - and you
27 believe that having coal seam gas on your land would reduce
28 the value of your land by 20 per cent, or some number like
29 that, then that's what you put in and that would generate a
30 compensation payment which you could use in your
31 negotiations.
32
33 MR QUINCE: That may be the case, but if that injurious
34 affection permanently removed your source of water so that
35 that would affect landholders for generations, what value
36 would you put on it? It's incalculable.
37
38 THE CHAIRMAN: Well, it can be calculated because if you
39 had a situation where you had no water, the value of your
40 land would go down substantially and it would only be
41 useful for very, very dry-land grazing, if that. The issue
42 here is the whole idea of this model is that you can put in
43 the numbers which are relevant to your circumstance.
44 That's why it's not a one-size-fits-all.
45
46 MR QUINCE: We have not had an answer from Santos yet
47 about whether they would prepare a risk assessment plan for

1 a landholder whose property they are on therefore
2 indemnifying that landholder as far as livestock
3 production. Are they prepared to do a risk assessment plan
4 and obviously take that and indemnify the landholder from
5 any contamination or injurious affection that their
6 industry may cause?
7
8 THE CHAIRMAN: I'll leave that for Santos, but in general
9 if you're negotiating an arrangement with a gas company and
10 you're concerned about whether you would be held
11 responsible if something that the gas company did ended up
12 impacting you, that's an issue which can go into your
13 contract with the gas company. I will now ask Santos
14 whether they would like to add to that.
15
16 MS MOODY: David, the farm management plan that Armon
17 referred to is part of our agreement. There is a land access
18 agreement, then we have the services agreement and we do
19 a farm management plan, so that farm management plan
20 basically is the risk assessment. We sit down with the
21 landholder. We identify the activities that we are doing
22 and the risks associated with that including things like
23 providing a list of the number of staff who will be going
24 onto the site and what the type of chemicals we will have
25 onsite. So it is all of those types of things, plus also
26 what licences we hold and what the conditions of those
27 licences are. It also gives the landholder the opportunity
28 to identify the activities that we need to be aware of,
29 such as when they are mustering, shearing, and their crop
30 times, et cetera. So as part of that farm management plan
31 that is documented in that.
32
33 In relation to who is responsible for something going
34 wrong, or Santos is perhaps undertaking petroleum
35 activities, pretty well all the legislation, including the
36 Petroleum (Onshore) Act, is very clear that the company,
37 ie, us as the principal, is responsible for that. That is
38 quite clear. All of our documentation has that as well.
39
40 THE CHAIRMAN: Thank you, Annie. Tony?
41
42 MR PICKARD: I would like to see IPART completely set up a
43 legally binding baseline benchmark for the area based on
44 \$30,000 from Santos with no strings attached. To qualify
45 that, Santos's \$30,000 is dependent on whether the
46 landowner is prepared to do certain works on his property,
47 ie, grade roads or fix roads, keep the weeds down and other

1 things, so that is on Santos's side. In my mind that
2 should be dropped out. There should be no qualifications
3 at all. It should be just a flat \$30,000.

4
5 The unimproved capital value, that's fine for some
6 areas, but it disadvantages others. In my own particular
7 area where Santos is operating, the unimproved capital
8 value is \$120,000 for a property which is 332 hectares.
9 That equates to \$367 per hectare value.

10
11 If you were to go further into the Narrabri gas
12 project area and more towards the irrigated country, I am
13 quite certain that the unimproved capital value will
14 increase. There needs to be unimproved capital value set
15 on the average. It will advantage me and disadvantage the
16 irrigators, I know you will get people screaming all the
17 way through, but that needs to be there.

18
19 Santos also has in their access agreements or, sorry,
20 in their payments that for the first year they will pay you
21 120 per cent of the unimproved capital value of your
22 property while under exploration, but from then out they
23 will only pay you 60 per cent. By the way, these are
24 handouts that were picked up from Santos's office over a
25 number of years. Really, that should be written and struck
26 completely out. There should be an unimproved capital
27 figure, full value, end of statement, no ups, no downs,
28 just that. That then will form the baseline of the
29 benchmark - the benchmark baseline with the unimproved
30 capital value of your land, the land that was
31 under-utilised before the gas production, no strings
32 attached, for \$30,000 per annum. Then the rest of this can
33 go on top of that.

34
35 I bring this up because there are certain landholders
36 out there who are not on their properties. There are
37 certain landholders coming to the end of their working life
38 who may not have the equipment anymore to be able to carry
39 out the road maintenance or the spraying or whatever that
40 Santos requires.

41
42 The other thing in all this, of course, is that if you
43 have an agreement with Santos for services, they can also
44 tie you up to a sort of contract where you cannot release
45 to the public any material re access agreements. That one
46 you have to watch because they can say, "The contract is
47 with us therefore you've contracted for services therefore

1 you can't release the information." That just throws NSW
2 Farmers, and what you have suggested there, straight out
3 the window.

4
5 THE CHAIRMAN: Do you have any more points on this at
6 this stage, Tony?

7
8 MR PICKARD: No, not at this stage.

9
10 THE CHAIRMAN: You have raised a number of interesting
11 points there. I think I've got three. One is this
12 suggestion that you have an average per hectare which means
13 that landholders with the lowest value land are being
14 subsidised by the landholders with the highest value land.

15
16 I realise why you have put that up, and it is
17 because you want to create some sort of minimum, some base
18 for the landholders with low value land. Another way to
19 tackle that is to have a minimum; in other words, you feed
20 everything through this model and if it comes out less than
21 X, then you would go in and try to negotiate X. So you
22 would try and have some sort of minimum; right?

23
24 We can take that idea on board. We need to keep in
25 mind that the model, as it stands now, is really a model to
26 assist landholders to negotiate with the gas companies. It
27 is not some sort of mandatory thing which has been passed
28 by the government. If you're advocating something
29 mandatory, we can take that on board too, but one way of
30 achieving what I think you want to achieve is to establish
31 a minimum rather than an average. So that's one point.

32
33 MR PICKARD: That's correct, but using the average per
34 capita value as the baseline.

35
36 THE CHAIRMAN: Sure, so that's how you set X.

37
38 MR PICKARD: Yes.

39
40 THE CHAIRMAN: The other point you raise is that you claim
41 that the \$30,000 that Santos pays to the landholders is not
42 just a payment; it is actually a payment for the landholder
43 maintaining the site - dealing with weeds and grading
44 roads, et cetera. If that is the case, and I don't know
45 whether it is, but if that is the case, in a sense, that's
46 separate from compensation, which is to leave you no better
47 or no worse off and it's separate from a sharing in the

1 benefit in the future, which is the second part of our
2 model.
3
4 There is actually a third aspect. It is where you are
5 being contracted by the gas company which has a well on
6 your land to do certain jobs because they could do that
7 themselves or they could hire some outsider to do it if
8 they wanted to. In terms of sort of cutting through on
9 this - we are taking this point seriously - I think that
10 analytically that is a separate issue. It doesn't mean to
11 say it's not important, but it is a separate issue.
12
13 MR PICKARD: It's tied up with the \$30,000 in their --
14
15 THE CHAIRMAN: Yes, I get it. Hang on, just a second.
16 The third point you raised was that if you have a contract
17 with Santos or, for that matter anybody else, you're not
18 allowed to make it public. One of our recommendations is
19 that there would be a public ^ registrar. Landholders
20 could register on there the sort of compensation
21 arrangements that have come up and that would provide a
22 body of evidence for other people, other landholders, to
23 consult.
24
25 I'll let just Annie say a few words and then we can
26 refer back to you.
27
28 MS MOODY: Tony, there are a couple of things. With the
29 services agreement, the primary services fee is actually
30 separate to the access agreement fee, so the compensation
31 fee. They are actually two separate payments, and they are
32 treated as two separate payments by us with the landholder.
33 The services fee is for undertaking minimal work, such as
34 spraying weeds, for the area utilised, which is us.
35
36 Let me reassure you that if there is significant road
37 maintenance to be done on an area utilised by Santos,
38 Santos actually does that work. It is not landholder
39 responsibility. It is just the day-to-day basic
40 maintenance . If we drove over a road after rain, or
41 whatever, it is our obligation to repair that, which we do.
42
43 Another point I wanted to clarify is in relation to
44 confidentiality clauses in our agreements. Santos has a
45 model. It is quite clear what we pay. It is up on our
46 website. I can calculate through for anyone on their land
47 value exactly how much we would pay them for a site where

1 we worked out, like, roads and that. It's a straight-out
2 calculation. There is no reason for me to keep to
3 confidential because it is just a standard formula.
4
5 Our land access agreements are very clear. The clause
6 says that Santos will keep this agreement confidential, but
7 there is no onus on the landholder to keep it confidential.
8 We are happy for them to be public about it, and most
9 landholders choose to retain confidentiality, but the onus
10 is only on us and not on the landholder, so I just wanted
11 to clarify that.
12
13 THE CHAIRMAN: Thanks, Annie.
14
15 MR PICKARD: Could I read out --
16
17 THE CHAIRMAN: Just a second, Tony. You're next, but
18 we'll get the microphone to you.
19
20 MR PICKARD: This is direct from the Santos website and
21 from their office. There is a heading "Exploration and
22 appraisal compensation." It says:
23
24 In these examples, calculations are based
25 on land value valued at \$1,000 per
26 hectare ...
27
28 Peter Mitchley, in a talk with Kelly Fuller two or three
29 weeks ago now, said it was more towards \$2,000 but came
30 down to \$1,500 -
31
32 with facilities of one hectare of land (an
33 average well site).
34
35 Year One
36 Santos pays 120% of the land value of the
37 area used for our facilities
38
39 Dot point 2:
40
41 The land value is based on the landholder's
42 rates notice.
43
44 Exactly as Mr Hicks said. Dot point 3:
45
46 \$30,000 fee for service per landholder per
47 annum, paid in a lump sum

1
2 Then we go to "Compensation." It says there that we get
3 \$1,200 for land utilised plus the \$30,000 fee for service
4 totalling \$31,200 for year one. In year two, that land
5 value drops down to 60 per cent, and we won't go into that.
6
7 Under "Production compensation", it states:
8
9 Calculations are again based on land
10 valued at \$1,000 per hectare with
11 facilities of over one hectare of land (an
12 average well site).
13
14 Year One
15 Santos pays 120% of the land value of the
16 area used for our facilities.
17 The land value is based on the landholder's
18 rates notice.
19 \$30,000 fee for services per landholder per
20 annum, paid in a lump sum.
21
22 From year two onwards after production, they will then
23 include in that a percentage of the production fee or
24 production amount. They have said in there the \$30,000 fee
25 for service is there as a fixed thing. That's in their
26 paperwork. I have one going back some time ago that they
27 pulled off their website and it says the same thing.
28
29 THE CHAIRMAN: But, look, this is their model.
30
31 MR PICKARD: And I think that should be your model.
32
33 THE CHAIRMAN: If that's what you are saying, then we
34 note it. So you think we should adopt the Santos model?
35
36 MR PICKARD: Baseline only and then you can negotiate up
37 from that, yes.
38
39 THE CHAIRMAN: We have that message. We have that. The
40 important thing to remember is that Santos is not the only
41 gas company involved in this exercise and this needs to be
42 a model which all landholders in New South Wales can use
43 when they negotiate with gas companies whether they are
44 Santos or not. We have your main point, thank you. Who's
45 next?
46
47 MS FLECK: Margaret Fleck, Mullaley Gas and Pipeline

1 Accord. I have some comments on the model. One is that it
2 assumes obviously that that injurious affection would be
3 evaluated to cease the day the activities cease. I'm
4 assuming if the land access occurs for 20 years, the gas
5 company would actually want access for 20 years.
6
7 The other thing is that simple arithmetic is applied
8 where it assumes that it's the area that you would have
9 severance from that should be provided to compensation as
10 part of the figure in the model when, in fact, in
11 agriculture, size and scale are important. So a reduction
12 of, say, for example, 10 per cent of the available area may
13 well have a much greater impact on your profitability than
14 just the 10 per cent removed from your enterprise.
15
16 THE CHAIRMAN: I think, Margaret, just on that point that
17 that would be taken into account in severance; right? If
18 you have a property and the gas company's activity in the
19 property renders the rest of the property less productive,
20 then that would be taken into account in severance;
21 therefore, that would reduce the value of the land because
22 of severance. That was your second point. I think that's
23 in.
24
25 The first point was what happens after the well closes
26 down; is that right?
27
28 MS FLECK: Yes, it clearly assumes that everything reverts
29 to the day before the land access agreement was enacted.
30
31 THE CHAIRMAN: John will have a go at that.
32
33 MR SMITH: The idea is that the compensation will continue
34 to be paid until the gas project is finished and the land
35 is rehabilitated to the satisfaction of the landholder.
36
37 MR PICKARD: At production rate or is that the --
38
39 MS FLECK: Excuse me, but rehabilitated to the
40 satisfaction of the landholder perhaps doesn't start the
41 day after year 20 ceases.
42
43 MR SMITH: I agree, so we're saying that compensation
44 should continue until such time as the land is
45 rehabilitated to the satisfaction of the landholder.
46
47 MS FLECK: That could be a very long time.

1
2 MR SMITH: Well, it could be
3
4 MS FLECK: I would like to make one final point.
5
6 THE CHAIRMAN: Just on that first point, sorry, thanks for
7 raising that. We will give that some further thought. And
8 now your third point?
9
10 MS FLECK: In terms of leaving us no better or worse off.
11 I believe there is no just compensation.
12
13 THE CHAIRMAN: Thanks, Margaret. Are there any other
14 questions or comments?
15
16 I have a question for you, Armon. You mentioned that
17 it was Santos's policy not to make lump sum payments.
18 Obviously in the negotiation, you're negotiating your
19 initial position. I was just interested in the reasoning
20 for that because if you negotiated a stream of payments
21 over 20 years, such as in your model or our model or any
22 similar model, it's then possible for the landholder to
23 sell that and, in effect, they are selling not just the
24 land, they're selling the stream of payments.
25
26 MR DONALDSON: Can you speak closer to the microphone.
27 We can't hear you clearly.
28
29 THE CHAIRMAN: I beg your pardon. Thank you. Let me
30 try
31 that again. Sorry about that.
32 Armon mentioned that it's Santos's policy not to pay
33 lump sum payments and that's fair enough, that's their
34 policy. I am just interested in where you have a situation
35 if you negotiate, either using their model or our model or
36 any similar model, a stream of payments over, let's say,
37 20 years, then it's open for the landholder who negotiated
38 that with the gas company - whether it's Santos or anybody
39 else - to then sell the property and not only would they be
40 selling the property, they're also selling the right to
41 20 years of payments. I am just interested in how Santos
42 has been thinking through this position.
43
44 MR HICKS: Yes, we would concede that. We concede you're
45 correct, that essentially it is an annuity type income
46 stream, but it is tied to the activity and it is tied to
47 the property. The important principle is that any

1 compensation needs to be paid and be linked to and tied to
2 our activities at that time on the property.
3
4 THE CHAIRMAN: So anybody who purchased the property
5 would then still have to, in effect, deal with you or any other
6 gas company for the next 19 years, for example?
7
8 MR HICKS: Yes. You can switch that around the other way,
9 with respect. There is no guarantee that Santos would be
10 the operator in 20 years time. We, or any gas company, may
11 have consolidated and sold out to another gas company, so
12 that part of the assets will actually be those contracts
13 and those land access agreements that would be sold.
14
15 THE CHAIRMAN: Thank you. Alistair?
16
17 MR DONALDSON: I wanted an answer to that question
18 about foreign ownership, that's all.
19
20 THE CHAIRMAN: Sorry, Alistair, wait till we get the
21 microphone to you. Then we will hear from David.
22
23 MR DONALDSON: There was something I wanted clarified.
24 In
25 the eventuality and possibly the inevitability that this
26 company would be sold on or the Narrabri project area would
27 be sold on, we would just need to know about the
28 continuation of those agreements with the new owner and
29 I think that has been answered.
30
31 THE CHAIRMAN: Yes, as Armon says, it cuts both ways.
32 The landholder can sell out and it would be a different person
33 receiving compensation; or the gas company could merge, or
34 something like that, and it would be a different entity
35 paying the compensation. Okay, David?
36
37 MR QUINCE: On the point of view that obviously the
38 operation could be sold on to another company, I think this
39 highlights dramatically the supposed MOU that Santos and
40 AGL have with landholders. If the company is sold on,
41 obviously that MOU is useless. What is to stop the next
42 proponent then using the Petroleum (Onshore) Act so that
43 once they have access to one or two properties from
44 landholders that think it is a good idea from basically
45 using the onshore petroleum laws to spread willy-nilly all
46 over without landholder cooperation?
47 The other thing is that we have an existing situation

1 down on the Liverpool Plains where most of the PELs held in
2 the Liverpool Plains are held by a company called Carbon
3 minerals. What is to stop them pursuing the onshore
4 petroleum laws, even though Santos has made this commitment
5 that it will not go onto landholders' land? There is
6 nothing at all there; it is up to the holder of the PELs.

7
8 THE CHAIRMAN: Thanks. Who was next? Hugh?

9
10 MR BARRETT: I'd like to take it a little bit further,
11 Mr Chairman. Given Santos's parlous financial state at the
12 moment and given that its partner EnergyAustralia has
13 written their share off to zero value, there is a
14 possibility, of course, that Santos may not be able to sell
15 this and may not have established facilities on
16 landholders' properties when they go broke. What then
17 happens to those compensation arrangements or the clean-up
18 arrangements?

19
20 THE CHAIRMAN: I think that's a hypothetical, Hugh.

21
22 MR BARRETT: Isn't everything here today a hypothetical?

23
24 THE CHAIRMAN: No. Santos, or any other gas company
25 that is established, if they sell on, the obligations would go
26 to the new gas company. Similarly, I would imagine that,
27 in the event that a gas company was wound up, the
28 liquidator or the receiver would sell the assets to
29 somebody else who would be obliged to carry on with the
30 commitments.

31
32 MR BARRETT: I admire your confidence, Mr Chairman.

33
34 THE CHAIRMAN: Thank you, Hugh. Peter, and then Tony.

35
36 MR WATSON: Thank you, Mr Chairman I think the
37 question that flows on from that is what part of this process is
38 IPART recommending penalties for not complying with the
39 legislation or with the terms of the agreements? There
40 doesn't seem to be anything relating to that. There is
41 merely reference that, under the legislation, the
42 government is asking to develop a framework. Are you also
43 going to suggest a framework for penalties for not
44 complying?

45
46 THE CHAIRMAN: In the event that the landholder and the
47 gas company were to negotiate a compensation arrangement

1 based on our model or anybody else's model, that is
2 enforceable as a contract. Under the law of contracts, it
3 would be enforceable through the courts.

4
5 In answer to your question, we are not planning to
6 recommend a separate penalty regime.

7
8 MR WATSON: So once again the onus is on the landholder to
9 enforce. So it's similar to all the monitoring and all the
10 other parts of this agreement where the onus is on the
11 landholder to ensure compliance and that is a --

12
13 THE CHAIRMAN: That depends, Peter, on who breaks the
14 contract. If the landholder breaks the contract, the gas
15 company might well take the landholder to court and vice
16 versa.

17
18 MR WATSON: It's a bit of the old David and Goliath
19 situation, Peter. I'm sure Santos has many solicitors and
20 lawyers in tow ready to enforce compliance, but how many
21 landholders have a string of lawyers on tap ready to go?
22 The whole problem with the situation is that, as
23 landholders, we are up against an organisation with
24 virtually unlimited resources. Then you put into that a
25 case where landholders don't have the ability to say, "No,
26 I refuse access", and then go on and negotiate an
27 agreement.

28
29 THE CHAIRMAN: Thanks, Peter. We're getting close to the
30 wind-up time. We have Tony and David and is there anybody
31 else who wants to ask a question?

32
33 MR QUINCE: Just with regard to what damage may, might
34 or will happen to aquifers or underground water, as property
35 owners and landholders, we have been advised that the only
36 way we can verify this is with fairly extensive and
37 expensive water testing to all our existing bores and wells
38 that we might have over a long period to the extent where
39 it actually passes forensic water sampling. We're talking
40 here about costs of \$3,500 to \$5,000 per bore or per well.
41 Now, to do that we need an ongoing history, a baseline, to
42 conduct that on so that we have obviously a baseline so
43 that if any injurious event happens to our water, then we
44 can obviously prove that the CSG has caused that.

45
46 That is an impost that farmers and landholders at
47 present really, unless you're a big irrigator, cannot

1 afford. Should not Santos, or all these gas companies, be
2 made to provide income or moneys to landholders so that
3 they can engage in that sort of water testing?
4
5 THE CHAIRMAN: Thanks, David. Annie, would you like to
6 respond?
7
8 MS MOODY: David, again, this is speaking for Santos.
9 I'm not speaking on behalf of all other operators in New
10 South Wales. Santos has a commitment to testing landholder
11 bores. We do baseline bore monitoring for our landholders
12 where we have operations and we will also do it for
13 neighbours, so that arrangement is already in place. We
14 provide those results at our expense.
15
16 Also just on the previous question in relation to
17 legal costs that Peter asked, our agreements actually have
18 in there that we will pay all reasonable legal expenses in
19 relation to assessing the landholder agreement prior to
20 signing it. As a case in point, if there was an issue
21 after the agreement had been signed and the landholder
22 wished to get legal advice in relation to that issue, we
23 would also pay those costs to the reasonable level.
24
25 MR WATSON: Could I ask something on that?
26
27 THE CHAIRMAN: Yes, Peter, you can follow up, and then
28 David. Are you still in, Tony?
29
30 MR PICKARD: Yes.
31
32 THE CHAIRMAN: Okay, and then we will break up.
33
34 MR WATSON: Thanks, Mr Chairman, and thanks, Annie.
35 I think it has probably been mentioned a few times today
36 that this is not strictly an agreement with Santos. We
37 certainly appreciate the efforts that Santos makes to
38 develop the process, but ultimately we may not be dealing
39 with Santos. We may be dealing with the company that picks
40 up Santos or perhaps another one decides to go in or it is
41 in a different area where Santos is not operating. We
42 appreciate that and that is the concern. We are trying to
43 negotiate better outcomes for an industry where we have
44 concerns about its risks and concerns about the risks to
45 our survival as farmers.
46
47 MR QUINCE: This is in reply to Annie Moody. I'm afraid

1 that is quite inappropriate for Santos to be doing the
2 water testing. I'm talking about completely independent -
3 I stress "independent" - water testing so that the
4 landholder can go and obviously contract an independent
5 water tester and then send the bill to Santos and they will
6 reimburse them for that amount.
7
8 THE CHAIRMAN: That is able to be done under item 4 in our
9 spreadsheet. Yes, Tony?
10
11 MR PICKARD: In this particular PEL, and I suppose in
12 others, the gas company has a lease over a particular
13 property which would be \$150,000 for a three-year lease.
14 Is an owner who enters into those sorts of lease agreements
15 entitled to a production bonus for the wells? That's my
16 first question.
17
18 I would also like to ask: is the production bonus
19 equal for all properties or is the production bonus based
20 on the amount of gas wells and infrastructure used on each
21 individual property? That's something that needs to be
22 looked at and explained, thank you.
23
24 THE CHAIRMAN: Thank you. John will answer that.
25
26 MR SMITH: In our model we have just simplified incentive
27 payments. In the example that Jenny went through earlier,
28 we had an estimate of \$10,000 a year. We are not proposing
29 or requiring any particular form of an incentive scheme.
30 We recognise that Santos and AGL already have their own
31 schemes, so they are probably better placed to look at how
32 the benefits are distributed, but we are certainly not
33 saying how we think it should be done.
34
35 THE CHAIRMAN: Is there a last question? Sally?
36
37 MS HUNTER: Thank you. It seems to me that there are four
38 opportunities in this spreadsheet for landholders to access
39 compensation under different areas. The one that seems to
40 be missing for me, and we have noticed that in Victoria
41 where it is done, is the loss of amenity including
42 recreation and conservation values. I suppose for a lot of
43 us, that covers off on this. It is very difficult to put
44 an economic value around those kinds of things, being that
45 the property is the livelihood and the lifestyle of people.
46 I just wondered is there a reason that that loss of amenity
47 is not captured?

1
2 THE CHAIRMAN: Thanks very much for that, Sally. It is
3 captured under "injurious affection" in 3(b), but we can
4 give that more thought and look at articulating it somewhat
5 more. If the value of your property goes down because of a
6 drop in amenity and lifestyle and it is no longer so
7 attractive and it will be worth less, therefore it would
8 flow through the model, but we can look at making it more
9 explicit.

10
11 THE CHAIRMAN: This has to be the last one, Peter.

12
13 MR WATSON: As a landholder here, I think it's worth
14 pointing out that two-thirds of this room are being paid to
15 be here today and a third of the room are here because of
16 the risk of loss. So if that's going to add any weight to
17 the comments that are made today, I think I would like you
18 to take that away with you.

19
20 THE CHAIRMAN: Sure, thank you.

21
22 CLOSING REMARKS

23
24 THE CHAIRMAN: That leaves me to thank everybody for
25 your contributions today. I think it has been a really
26 constructive and productive session. We will be making
27 available the transcript of today's proceedings on our
28 website in a few days.

29
30 Just to remind you, written submissions on our draft
31 report close on 30 October and we will provide our final
32 report to the Minister for Industry, Resources and Energy
33 by the end of November. The minister and the government
34 will determine when our final report is released publicly.

35
36 Once again thank you very much and have a good
37 afternoon.

38
39 AT 12.37PM, THE TRIBUNAL WAS ADJOURNED
40 ACCORDINGLY

41
42
43
44
45
46
47