

STANDING COMMITTEE ON PUBLIC ADMINISTRATION

INQUIRY INTO PASTORAL LEASES IN WESTERN AUSTRALIA

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 27 NOVEMBER 2013**

SESSION THREE

Members

**Hon Liz Behjat (Chairman)
Hon Darren West (Deputy Chairman)
Hon Nigel Hallett
Hon Jacqui Boydell
Hon Amber-Jade Sanderson**

Hearing commenced at 10.06 pm**Mr GREGORY SMITH****Elders Real Estate, sworn and examined:**

The CHAIRMAN: Mr Smith, I will go through the formalities, which I am sure you are probably, as a former member of the Legislative Council, quite familiar with. On behalf of the committee, I would like to welcome you to the meeting. You know me. I am Liz Behjat, the chair. Can I introduce Amber-Jade Sanderson, who is a member for the East Metro Region. Darren West, who will occupy his chair very shortly, you may know from the Agricultural Region.

Mr Smith: I have known him since he was 14 years old!

The CHAIRMAN: Right. Hon Jacqui Boyde, representing the Mining and Pastoral Region, and Hon Nigel Hallett, who I know that you know, and also our advisory officer Dr Julia Lawrinson. We would like to welcome you to the meeting today. Can you take an oath or affirmation?

[Witness took the oath.]

Mr Smith: I am appearing here in my capacity as an individual. I must stress that any views I express are not those of Elders. I was asked to make it clear that Elders does not want to get involved in any political position.

The CHAIRMAN: We understand that. You will have signed the document entitled “Information for Witnesses”. Have you read and understood that document?

Mr Smith: I have, thank you.

The CHAIRMAN: The proceedings are being recorded by Hansard and a transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of a document you refer to during the course of this hearing for the record. Please be aware of the microphone and try to speak into it. Ensure that you do not cover it with papers or make a noise near it. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today’s proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise you that publication or disclosure of the uncorrected transcript of evidence may constitute a contempt of parliament and may mean that the material published or disclosed is not subject to parliamentary privilege. Mr Smith, you provided some documents to the committee. I am assuming that is what you would like to speak to today and make an opening statement to the committee?

Mr Smith: Yes, honourable Chairman. The documents provided will accompany the presentation I intend to make and we will work through them as we go.

The CHAIRMAN: You do understand there is only a half an hour allocated for this hearing.

Mr Smith: Yes.

The CHAIRMAN: There seems to be a lot of documents there, so I would ask that you bear that in mind.

Mr Smith: I am just aware that anything I am going to say requires substantiation or if it can be substantiated, it adds much more weight to the evidence.

The CHAIRMAN: Okay then, please.

[10.10 am]

Mr Smith: The first thing I will speak to is the first term of reference—“management of the increase in the number of stock and environmental damage on pastoral land”. That term of reference puzzles me, to start with because there has probably never been less livestock in the pastoral areas of Western Australia than there is today—not that I am aware of anyway. I believe the perception that you have to come up with this term of reference is that there are people employed to identify environmental damage, and of course if there is none identified, they have not got a job. I would just draw your attention to the first document in the pile of documents that I have provided, which is a letter from the Pastoral Lands Board to a Mr Don Hoar on a station at Balfour Downs, and it is to do with the livestock numbers that was quoted by Elders in an ad being in excess of his approved livestock numbers. This property is actually rated to run 8 000 head of cattle, and this letter is basically having a go at him for us saying there was about 15 000 there, and they are saying that the annual return said there were 11 000. This is brought about partly because of the carrying capacities that are allocated properties. People are basically forced into telling untruths because they know if they told the truth, they would have another ton of bricks down on them. If you have a look through the IM, which is a coloured document in there, you will see Balfour Downs is a property that is an absolute credit to the man. I think you would be hard pressed to find a better improved property. And he has put in so many waters on the property that the cattle are now dispersed all over it and he is utilising the rangelands. And if you go down through the IM and get to the range reports on the properties, it actually articulates on the document called the Rangeland Condition Assessment for Balfour Downs. It says—

“... traverse results for land systems of high and moderately high pastoral potential suggest that there has been a real improvement in rangeland condition. For example, on Coolibah land system (high potential) the proportion of traverse points in ‘poor’ pasture condition fell from 29% to 10%, and on Balfour land system (moderately high potential) the ‘poor’ proportion fell from 19% to 6%. This improvement may be attributed to the run of generally favourable seasons over the last decade, combined with effective management by the lessee. Many new water points have been installed and this has allowed grazing pressure to be distributed more evenly across the property.”

Despite all the work that has been done on the property, he cannot get any acknowledgement of the fact that the work he has done to actually improve the carrying capacity of the property. He has basically come to the conclusion that he is going to have to die there because he has been running 15 000 to 20 000 and the range condition has been assessed as being improving, but no-one is allowed to run more than 8 000 technically.

The next document I would like to bring to your attention is one from a station called Windimurra. Partly the reason that I want to bring this one to your attention is that there is a tendency to make mountains out of molehills and not to recognise natural damage. Windimurra used to run about 20 000 sheep and 700 head of cattle. That is called the Windimurra station rangelands condition assessment. There’s been court cases over this property, and if you keep going through the entire Windimurra range condition assessment, you will see that it looks like a book; there is that much been looked at and that many reports been written about it and that much recommendations on land management issues and the whole lot. What is important to note with this is that the area identified as being degraded on this property amounts to a total of 1 700 hectares. We are not talking 500 000 acres of totally degraded country. We are talking of an area of 1 000 hectares. The contradiction is that up the road there is Windimurra vanadium mine that has stripped thousands and thousands and thousands of acres bare of anything, and that is quite all right. It seems to be that if there is a mine there it can do what it likes and it does not matter how much of the rangelands is destroyed. The damage on Windimurra is caused by the fact that the holding paddocks going up to the woolshed were washed out in 1992 when there was 26 inches of rain and 8 inches of rain in one day in March

just after they had finished shearing, so of course the ground was as bare as it was ever going to be, yet there was no recognition of the environmental damage caused by the weather in March.

The CHAIRMAN: Can I just ask you there, Mr Smith, these documents that you are providing us from the Pastoral Lands Board, the condition assessments, are they public documents?

Mr Smith: Probably not public documents, no.

The CHAIRMAN: Have you been provided these by the pastoralists with permission to provide them —

Mr Smith: I have been provided with them by the pastoralists and I sought permission from the pastoralists.

The CHAIRMAN: Okay. I just wanted that on the record, that you have had permission from everyone who has —

Mr Smith: Yes. Windimurra station I have been involved with recently. Someone would be happy, I suppose, but it has gone from running 20 000 sheep and about 1 000 head of cattle to being nothing there now. It does not run one; there is not one head of livestock there.

Hon NIGEL HALLETT: Why is that, Greg?

Mr Smith: A combination of things. It was purchased by people and then the dogs cleaned out sheep numbers and the goat numbers, lowered them down till it was almost unviable. There was income required from other sources that was not able to continue to run it. It was a downward spiral and the bank do not want it back but the bank has literally inherited it back. There has been talk that it will be handed back to the Pastoral Lands Board, but I do not know that they want it back either. It is hard to get the exact story between the banks and owners and what is going on. But yes, Windimurra is now destocked.

Hon NIGEL HALLETT: Greg, in your experience of selling stations, what would you say are the two main issues for your unviability? Is it dogs and how do you see the reaction of the authorities or agencies in facing up to their responsibilities?

Mr Smith: Look, at the moment the two issues that we face in selling stations is with 2015. We were quite capable of comforting people about 2015 because there was a belief that 10 years prior to the leases expiring, the letters were sent out to everybody “your station is going to be renewed on the same terms and conditions as the existing lease” and we had letters that told them. We could provide a copy of the letter from the owner showing them “yes, it is going to be renewed or if there is an exception, this is it”, and everyone is comfortable with that. But the recent talk about an amended lease or a changed lease has put, I suppose you could say, apprehension into the market, especially with those words being used like “termination”. The next RCA is the Mt Vernon RCA there, and it is there simply to demonstrate environmental damage that is caused by nature, not by livestock. But what happens over the years, and if you have a look on page 1 of the Mt Vernon range condition assessment, it says —

In mid-1997 severely flood damaged parts of the lease were inspected by Mitchell and Leighton. Exceptionally severe flooding took place in February 1997, stripping alluvial plains, redistributing sand and sand-shale deposits and drowning the perennial pasture grasses and shrubs.

And we have just had a similar event take place on the Gascoyne in the last two years where it flooded twice and it looks like a moonscape there now. But then as time has gone by from 1997, everyone has forgotten about the flood and all that damage is now being attributed to it being overstocked along the river. The owners can argue until they are blue in the face. Once it is in one of these reports, the Pastoral Lands Board—the way they work, most of them have got no idea, I do not think, about pastoralism, especially if you look at the constitution of the board these days. They read this report and they say, “Oh my God, he’s destroyed the property. Let’s put some

restrictions.” This was a property that has run 5 000 to 7 000 cattle for as long as anyone can remember. When we sold it, the permission-to-sell letter said that we had actually to get people to acknowledge that it should only run 2 000 head of cattle, which wiped literally \$400 000 times five—\$2 million—off the value of the property. The same happened with Moola Bulla, which was a worse scenario, where they had always run 30 000 head of cattle, and had done as long as anyone could ever remember, and when it was sold, the purchasers had to acknowledge they would not exceed 7 800, so it wiped about \$8 million to \$10 million off the property just with a stroke of a bureaucrat’s pen.

Hon JACQUI BOYDELL: Through the Chair, can I ask you a question? Say, in the Gascoyne or Pilbara, for instance, where you do have that large flooding of areas that does affect the land—so in your opinion if the land is, as you say, moonscaped, how can that support more stock?

[10.20 am]

Mr Smith: It does not. The pastoralists adjust their stock rates to do it.

Hon JACQUI BOYDELL: That is the reason that you would do that?

Mr Smith: Yes.

Hon JACQUI BOYDELL: That is the balancing of the land, which all pastoralists would do and any business would do, in actually trying to get that land back to use?

Mr Smith: Oh look, no-one has a greater interest in getting the land productive again.

Hon JACQUI BOYDELL: I am not quite sure what you are getting at is what I am saying.

Mr Smith: What I am getting at is that under the present system, there is a chance that Gascoyne River country will be looked at in about another five years and all that damage will be attributed to it being overstocked. There will be no acknowledgement that the floods in 2010, or whenever it was, is what did all the damage to the property. It will end up being “you have overstocked this country; you have got to reduce your stock numbers”.

Hon JACQUI BOYDELL: It actually is overstocking if the land cannot support them.

Mr Smith: A good manager will reduce their stock numbers, yes, but the property still has the potential carrying capacity.

Hon JACQUI BOYDELL: But not at that moment.

Mr Smith: Not at that point in time.

Hon JACQUI BOYDELL: I agree.

Mr Smith: But what we are seeing is that we sell properties today where the carrying capacity that the buyers are asked to acknowledge is based on an assessment done in 2005. Look, moving towards a self-monitoring system—I have not got a problem with that. I think it is a great pull for pastoralists. There is a little bit of dissent about it as far as having to do it themselves, but it is not arbitrary. It is not an opinion of one individual against another; it is their property. And I have got some photographs of sites here we will move to very quickly. From the term of reference a) about the overstocking and environmental damage, we will move through and you will see there is a document that starts like that. It is pictures from Narndee station, the first photo is a picture from a paddock in 2005. It is four miles east.

The CHAIRMAN: Four miles east and it is July 2005?

Mr Smith: Yes, July 2005. Now, if we just flip through the photos, you will see 2006, it looks significantly better; 2007, it is better; 2008, it does not look quite as good but there was still recruitment of perennials, and if you look at the first photo and the last photo, you will see that over a period of, we are talking four years, it has gone from being nothing but dirt to being what you would expect to see in a sort of rangeland in an average season. The next one is Sandy’s West,

which we have got. We have got the 2005 photo, and as we move through the photos, we get to 2009, and looking at the background of that photo, it is quite a significant difference and you will see that the rangelands are recovering. A lot of this is simply the time—whether it has been through a drought period or whether we have had a couple of good seasons. I must say that the old pastoral inspectors were quite good because they had seen a lot of years. Roderick O’Connell was at Meekatharra and had seen good years, bad years, and he would look at it and say, “Oh, it is not looking too bad for how it is”, but what has happened over the last 10 years is that we are getting these people that just have been coming in and then going, and they are there for five minutes and they see this little snapshot of the rangelands without any understanding of the long-term effect.

The next lot of photos on the green pages is from Balgair station, and the first photo was taken in 1982. Now, the interesting thing about these is that Balgair was actually taken up in about 1980, so it had literally never been stocked. And if you look through the photos from 1982 through to 2004, you will see that the rangeland has changed significantly and that was in spite of sheep being there. The property had actually been stocked and they got up to 10 000 sheep there, but there was still a recommendation that there would be an alternative water point put in there because the paddock may have been getting overgrazed. The next one is my favourite pictures of all. It is a green document and at the very top it is titled Blue Bush Hill paddock, and the first photo was taken in 1982 and the next photo was taken in 1997. It says there —

Reduction in number of all previous plant species indicates a decline in the condition of this site. Size of plants has increased. There are a number of young Bladder Saltbush present.

And there is a comment —

This paddock has never been stocked and is in pristine condition. There is no obvious explanation for the loss of plants.

Now, if there had been one sheep or one cow on that paddock, it would have been the fault of the sheep and cows, and there is no water within 25 kilometres of it in any direction. The other thing that has happened with this whole carrying-capacity thing is in the next document over from the reappraisal of data in 1984 for pastoral leases. We recently sold a few years ago a property called Bunnawarra station—quite a good little property, just right on the edge of the wheatbelt and it rains quite regularly there compared to, let us say, Sandstone. When the purchasers bought it, or when the owner bought it, he bought it with a rated carrying capacity of 9 106 DSE carrying capacity, and he had done that most years except the driest years. When the property was sold, the permission-to-sell letter had a line in it that said “the proposed purchaser acknowledging in writing that sheep and unmanaged goat numbers will not exceed 4 000 dse”, so we could only sell it as a property that was capable of running 4 000 DSE. At that point in time, properties in the inside country, which was from Mt Magnet through to the Geraldton area and that, were making about \$120 per DSE, so for every 1 000 sheep that was wiped off his carrying capacity, they wiped \$120 000 of the value of his asset.

The other thing about this as well is the first term of reference. I am not aware of any increase in the number of stock. That is a misnomer. There is actually less stock than there has ever been, and the environmental damage on pastoral land, I would say, is absolutely negligible. And I have got to put it into context, compared to mining, which basically just strips all the country—not that I am against mining; it is a great industry. And I think it would be fair to say that the Great Northern Highway has got bitumen on more pastoral rangelands than what there is degraded land in the pastoral lands, and the damage that has been caused just by that road has probably been greater in the rangelands than the pastoral industry has caused, because if you drive up the Great Northern Highway, you will see where the water flow has been cut off across all the Three Rivers area. It is beautiful this side of the road and desert the other side, but no-one is suggesting we rip up the Great Northern Highway.

Now I will get on to the next term of reference, which is “the adequacy or security of land tenure”. First off, it has been reasonably adequate up to now. I am not aware of any lease being taken of the

pastoral leaseholder, and there has just been a belief that the lease is going to roll over for the same period as the existing lease and on the same terms and conditions. That was the understanding, and I suppose that is one of the things that, I suppose, has brought about this inquiry to start with. But one of the reasons I think has made a difficulty, in the current lease even, is that there has been an ever-growing bureaucracy. I mean, I can remember when the pastoral lands unit was about two people or three people. There was Gary Crow and Donna Cullen, and all they did was a bit of administration, but now I think there is about 20 people in the pastoral lands unit. God knows what they all do, but they have all got to find something to do so letters go out and reports go out and they are interfering—when I say interfering in everyone's business, all the pastoralists want to do is get on and run their business. They do not go running around looking for handouts or help or anything, most of them.

Hon NIGEL HALLETT: So, Greg, the pastoral board needs looking at?

Mr Smith: I will get to the pastoral board in a minute.

The CHAIRMAN: It might have to be quite quickly.

[10.30 am]

Mr Smith: I know that the pastoralists themselves have not asked for any expansion in the bureaucracy of the Pastoral Lands Board. There had been complaints by Alannah MacTiernan, when she was minister or even before she was minister, of what it costs to administer the pastoral leases. Those extra costs had not been requested; they have been thrust upon them.

Then “procedures for granting or renewing pastoral leases”. My idea is I think we need to get rid of part 7 of the whole land act—just scrap it. There is no requirement for part 7 for pastoral leases in a modern lease. It was relevant when people were going out and taking up properties and developing them, but the pastoral industry is now a mature industry. Most of the land that is available for development has been developed. I mean, once upon a time they were going out to the Nullarbor and picking out areas and how to apply to leases. You needed a board, and the constitution of the board is something. Once upon a time the board was the chairman, two representatives of the pastoral industry, who were someone from the pastoralists and graziers and someone from the primary industry of Australia. Now the board is about seven or eight people, and not one of them has to be a pastoralist, I do not believe, from looking at the make-up of the board.

Hon DARREN WEST: Just on this letter where you have got a little sign here next to part 11(f) on this letter to Mr Anthony Walker, as the next part of your submission there, I am just interested in where this came from.

Mr Smith: Which letter is that?

Hon DARREN WEST: It is about that far from the back.

The CHAIRMAN: It is number 10, I think.

Hon AMBER-JADE SANDERSON: Number 11.

Hon DARREN WEST: You have numbers on yours, do you? Yes, number 11.

The CHAIRMAN: Tab 10 in your submission.

Hon DARREN WEST: Yes, it is a letter to Mr Walker. It is just something that has grabbed my eye, Greg, on page 2 of it. Have you got the one I am talking about?

Mr Smith: That is the Mt Vernon permission to sell, yes.

Hon DARREN WEST: I have just got here point number 11(f): “The term of the new lease will be for the term of the current lease being 47 years 11 months 15 days”.

Mr Smith: Yes. When we are selling our pastoral lease, we are required under regulations or standard conditions to provide a copy of the permission-to-sell letter to the purchasers and a copy of

the range report. I do not think you were here then, but that always allayed people's fears. It has sort of reassured them that, yes, we have got in writing from the Pastoral Lands Board the current lease is going to be renewed, and these are the terms and conditions it's going to be renewed under.

Hon DARREN WEST: Other people have pointed it out, too, and I just see it from a different angle. Do you take that to read that once 30 June 2015 comes and everything is sweet and everything is done that this lessee can expect their lease to be renewed for 47 years, 11 months and 15 days? Is that the way you read it?

Mr Smith: That is correct, yes. The reason that particular letter is in there is just to show the level of bureaucracy that now exists. This is going from a deceased's estate going back to the people who inherited it. They had to apply for permission to get the property out of the estate and then they had to reapply again to sell it. It just makes—when I say it is a nonsense, it is a deceased's estate and they are going to sell the property. It was just another step that slowed down the sale of the property.

The CHAIRMAN: You are obviously very familiar with that particular sale?

Mr Smith: I sold the property.

The CHAIRMAN: So can you give us an idea of how much extra cost that would have incurred in relation to the beneficiaries of the deceased's estate not just being able to then continue on as the pastoralist that they had inherited lease from? Do you have any idea?

Mr Smith: Well there's two things in Mt Vernon that would have cost a lot of money. The first one is the time it took to actually get it transferred from the estate to the heirs so that the heirs could sell it.

The CHAIRMAN: How long was that, do you know?

Mr Smith: Generally when we apply for permission to sell, it is not unusual for it to take three months to receive it. This one may have even taken longer than that because it was being done by the administrators and they had to go through the probate and all of those sorts of things. I would reckon it would probably have cost them, it could have been, \$100 000 to \$200 000 because they had to have their management there, they were paying interest on the outstanding money, and also on top of that, we had to get the purchasers to acknowledge that they would only run a couple of thousand cattle there, on a property that has always run 7 000, and there was buffel grass as high as your knees when you walked up the Ashburton River now. The country was looking beautiful. It was the best season ever.

The CHAIRMAN: Members, are there any questions for Mr Smith?

Hon DARREN WEST: A lot of the stuff here is good.

Mr Smith: I would just move through to the proposed pastoral lease for 2015 because I think that is probably the most important thing under your terms of reference. A modern lease should encourage investment, welcome diversification and make owners take ownership of the asset. That is the most important thing. If someone buys a pastoral lease and they flog it out, they have actually devalued their own asset. No-one has a greater interest in looking after their pastoral lease than the pastoralists themselves. If a farmer does not put out super or look after his farm, the value goes down. The same applies to a pastoral lease. There should be no Pastoral Lands Board—a small advisory panel constituted of leaseholders, by regulation and not a statutory body. The reason the Pastoral Lands Board looks like it does now is because as years have gone by every time the land administration act came out, the Greens or Democrats would fiddle around with it and get someone else on there, and it has just grown and grown and grown. I think they very rarely get a quorum these days. How many times have I applied for permission to sell and it has taken months and months because they had not had a quorum at the last meeting and they had not had a quorum at the next one, and the next thing is they do a phone hook-up and then eventually something gets done.

All that is required is an executive officer and some support staff to administer all crown leases, because, as I said, I believe that part 7 should be scrapped. Bring everything under the crown lease in part 6 that exists there. There might be a few minor amendments that would just allow the pastoral leases to come in to put some security in them. The lease, I believe, needs to have an irrevocable option to renew because otherwise we end up in exactly same situation we are in today, again. Banks at the moment just about will not lend on a pastoral lease. It is senseless to talk about the ability to terminate came up.

The CHAIRMAN: Yes, we have had a lot of evidence in that regard.

Mr Smith: I will not go there.

The CHAIRMAN: Mr Smith, I am actually going to have to wrap the hearing up there.

Mr Smith: Any language that suggests termination must be avoided; in fact, there needs to be quite a convoluted process to terminate, with an avenue for appeal. Mortgagees, I believe, which is banks or anyone else that provides money, must be given a high level of security, and I believe there needs to be something in there that gives a reduced level of compliance should they be required to exercise powers held due to their mortgage, because the banks will not lend against them because the last thing they want is a station back, because of all of the other things that go along with them. There also needs to be an ability to develop areas and sell them off, because I have got situations. I will name two stations, Wandagree and Austin Downs, as an example where the people have developed horticultural projects. They have got irrigation systems, they have got cool rooms and packing sheds, and they have said, "Can you sell the property?" They say, "This is worth X-number of dollars and the station is worth this much", and I say, "Well look, I can't sell an orchard in Donnybrook at the moment, and the station is pretty hard to move as well." I have got to find someone who wants an orchard and a station at the same time, which is just about impossible. Once they become crown lease, you can cut a little bit off the crown lease and make another crown lease and say, "All right, there's the crown lease with your irrigation and horticultural project." You can sell that and you will have someone that is good at horticulture running the horticultural project and someone who is good at running the station running the station, and at the end of the day we have added value to the states lands.

The CHAIRMAN: Mr Smith, I am afraid we actually do have to wrap up the hearing now. So unless you have got something else that you can table there for us to look at, I am afraid I am going to have to call the end.

Mr Smith: The only other thing I was going to say is that rents need to be reflective of average production capabilities, not based on sale values at any given point in the real-estate cycle. And last but not least, in all of the documents I have provided you, there is the Hansard from 1932 in the Legislative Council. It is a great read.

The CHAIRMAN: It is from the Assembly.

Thank you very much for your appearance today and the information that you have provided to us, and I think some of those documents will be quite useful to us in our deliberations. So thank you very much taking the time to come along.

Mr Smith: Thank you.

Hearing concluded at 10.40 am
