

# Bega Valley Water Users Association (Inc.)

ABN: 41 211 519 607  
PO Box 983  
BEGA NSW 2550

Mr James Cox  
Chief Executive Officer  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

10<sup>th</sup> July 2012

Dear Mr Cox,

RE: Submission to IPART on rural water charging systems

The Bega Valley Water Users Association is made up of irrigators on the regulated Brogo River and unregulated rivers on the south coast. Bega Cheese also has a strong interest in the outcome of this process. One of Bega Cheese's fundamental activities is converting raw milk into Bega Cheese branded products. For that to continue we need to ensure Bega Cheese has a viable and sustainable milk pool. Over 70 % of local milk supplying farms to Bega Cheese has irrigation to some degree. We want to see an outcome that enables farms to invest in their future and the future of the local community.

This submission will focus on the impacts of full cost recovery on the Brogo Dam. The dam is currently at about 50% along the path to full cost recovery (inclusive of user and Government cost share) and already has some of the most expensive bulk water charges in the state (greater than \$50 per ML SWC and NOW combined). We are certain that a continuation down this path will see farmers cease irrigation in the valley and force all costs back to Government to maintain the dam. We appreciate the last IPART determination capped pricing at 10% PA plus CPI. This whoever is prolonging the uncertainty for farmers, they are reluctant to invest in irrigation infrastructure when they know they will soon be priced out of the water market. This leads to inefficiency and reduces overall farm productivity, both these are negative influences for long term farm viability and sustainability. Therefore if a similar 5% CAP was imposed on the Brogo as is what is suggested on the Peel then we will see an inevitable decline in farm use of irrigation and consequently farm profitability.

We have noticed since the last determination that farmers are now changing their behaviour due to cost of irrigation. This is a disturbing development and a clear indication that current pricing policy is having the negative impacts we have previously indicated. Below are a number of farmer's quotes in respect to irrigation activity:

Norm Pearce – I have 3 travelling irrigators and watered as required, but I may now never use them again. I had looked at upgrading my system to pods but this will cost \$90,000. The worry is even if he I do upgrade and I do my numbers on today's costs water and power can still go up. I spent \$100,000 for extra allocation and it looks as though all it will be good for is for the fish in the Brogo to swim in. At this stage I will not irrigate and will buy in feed.

Steve Jauncey – I had travellers and a bike shift system on perennial pastures and in the past as soon as it started to dry out we would start irrigating and, if needed go 20 hours a day, 7 days a week. We will now only grow a crop like corn or sorghum for silage through summer for better water use efficiency as we cannot afford to irrigate perennial pastures as we did in the past. We may irrigate to make a spring or autumn break on areas of high fertility paddocks with good pasture. We also will wait for as long as possible before starting to irrigate in the hope of rain so as not to get a huge bill as the cost scares me.

John Hergenhan – We used to irrigate all the time and have cut back to night time only. I think we may stop all together or just water seed to get it out of the ground in spring and autumn. We have done our sums and the costs are too high. Gary Hunt (SWC) told us we would only get 40% allocation at the most and are charged on 100% of our water. We are now looking to buy in hay and silage and try and make that work.

Ken Kimber – We have upgraded to pivots and solid set with the most efficient pumps available and still frightened to turn them on. We will wait for as long as possible to turn the pumps on even if this does cost them some production. We are now been forced to bring in hay and silage from other areas. We also have been offered water allocation by other farmers but if we buy or lease it we still only get to use 40% of it and have to pay for 100%.

Dean Evans – We have 140 sprinklers and a 330 meg licence and in my opinion it is not worth having. The last time we irrigated it cost \$20,000 for the quarter for power and water. Even if the dam is full and running over you still get a bill.

Steve Guthrey – We used to irrigate whenever required but will now only irrigate to make a spring or autumn, will in turn reduce the amount of water we will need to use. We have stopped investing in irrigation infrastructure as without a cap on water pricing even if we put in a new system we will not be able to afford to use it.

Trevor Pearce – We have not irrigated in 3 to 4 years and I feel we will not irrigate again. We need to update infrastructure but due to the increasing cost of water and fuel we are reluctant to do so as we could do this and still not be able to afford to irrigate. We have 178 megs of water and have to pay for this licence every year and would like to lease or sell it but no one is interested.

Guy Lucas – We used to have bike shift and could never keep up and have enough water. We did a new upgrade to solid set system at a cost of \$300,000 and are now set up to irrigate only at night and can water the irrigation area twice a week. Kg's of dry matter per hectare of irrigation has increased. However with the rising cost we now feel we would have been better off investing in a truck to bring in hay and silage rather than investing in the irrigation system.

One of the key issues we are confronted with each determination is that one determination cannot bind a future determination. The Brogo water users need future certainty when it comes to water pricing and the looming threat of a continual march towards full cost recovery is a chain around the neck of agriculture in this region. We would like to see a mechanism that either creates a CSO locked in and binding for future pricing determinations or to review Government cost shares on the coast in isolation to the rest of the State. Now that it has been confirmed that IPART and not ACCC will continue to be the price regulator for the coastal valleys it is an opportune time we believe to review cost shares specifically for coastal regions. This will yield a very different result than the current system which is applied across the State. Government cost share would be increased reducing the overall target of cost recovery from bulk water users.

Encouraging ways that the billing might better match business cash flows via:

1. Varying the timing of water bills in relation to farm cash flows

2. Vary the ratio of fixed to variable charges
3. Options for differential fixed charges
4. Options for differential variable charges
5. Use of modern telemetered meters

The above options we believe are insignificant when compared to the cost impost of full cost recovery, however we offer the following comments.

1. This option probably has little impact for dairy farmers due to the nature of the cash flow within the business. Each farm operates differently and finding a time that would suit the majority would be a difficult exercise.
2. Having the flexibility for individual irrigators to change rates or ratios over a season may be useful and would need further clarification before implementing.
3. As above
4. As above
5. If the initial and ongoing cost of the telemetered meters is not more than recovered in efficiency or reduced cost to irrigators then this would not be a viable solution.

We thank you for the opportunity to comment on this review. If you have any questions please do not hesitate to contact me on 0427 261272.

Yours Sincerely



Geoff Johnston  
President - BVWUA