



Submission by High Security Irrigators – Murrumbidgee

IPART

Review of Rural Water Charging Systems

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Introduction:

High Security Irrigators – Murrumbidgee (HSI-M) represents more than 1,000 irrigation farmers and food producers throughout the Murrumbidgee Valley. Our members include many commodity groups that include citrus, prune, wine grape growers and food and fibre groups.

This document represents the views of the members of High Security Irrigators - Murrumbidgee. However, each member reserves the right to independent policy on issues that directly relate to their areas of operation, or expertise, or any other issues that they may deem relevant.

General Comments:

High Security Irrigators – Murrumbidgee, is the peak body for High Security Entitlement Holders within the Murrumbidgee Valley, we have accepted change many times as this it is part of farming and in particular horticultural enterprises. The acceptance of change is a part of any farming enterprise.

High Security Irrigators – Murrumbidgee, we have voting rights with both the New South Wales Irrigation Council and we broadly endorse the submission made by New South Wales Irrigators Council to this inquiry.

High Security Irrigators – Murrumbidgee, would like to congratulate IPART on conducting this review and allowing for stakeholders to participant in the consultation sessions, both in Narrabri and Griffith.

High Security Irrigators – Murrumbidgee, would like to reinforce its position that IPART maintain its position as the regulator of bulk water charges in New South Wales. This pathway would ensure that the customer concerns and impacts are taken into consideration throughout the process and that a sustainable tariff structure is in place with the concerns of irrigators considered.

In our submission we will only answer the assessment criteria that has impacts on users of high security water entitlements within the Murrumbidgee Valley.

Assessment Criteria

1. Are the proposed assessment criteria appropriate?

High Security Irrigators – Murrumbidgee welcomes that opportunity to address the many concerns of irrigators within the Murrumbidgee Valley, we consider the assessment criteria to be inadequate in the addressing of concerns between the ACCC and the role of IPART.

HSI – M considers the regulation of bulk water charges to have many “third party impacts” within the wider community. The social and economic impacts can and do have “knock-on effect” to other parties within these rural communities. The ability of government or semi government authorities to pass on costs to irrigation users, will continually put extreme pressure on the margins of farmers.

Are there other factors or criteria we should consider when assessing options?

HSI-M considers that an analysis of bulk water charges should be done on a valley by valley basis. Therefore, a greater understanding of differences between users and irrigators can be understood and impacts within the valleys can be identified.

2. Water Availability & Customers' Cash Flow

What is the most appropriate method of analysing historical water availability to understand the relationship between water availability and customers' cash flows.

The use average allocation is the most appropriate method at present, but HSI-M would like to see a greater understanding of the impacts of increases or decreases on both the irrigators and the wider community.

As identified at the Griffith workshop, the alignment of a customer's cash flows with bulk water charges, has many inherent issues. This includes timing of allocations, which crops are grown and payment terms to the irrigator to name a few.

HSI – M would support a more flexible payment arrangement for irrigators to accommodate different cash- flows requirements and discounts for users paying in advance. Whether this payment would be monthly, quarterly or annually is up to the individual to consider the best options.

Do the differences between valleys and associated farming systems mean that instituting broad rules across valleys to measure the impact of water availability is not appropriate?

HSI-M understands the differences between valleys and the variability of water allocations and accounting systems within NSW. We broadly support the position of NSWIC on this matter.

Which customers are most affected by variability? Are there circumstances where water variability affects high security users?

HSI-M, would argue that both high and general water entitlement holders are at risk. We also wish to raise concerns regarding the Commonwealth Environmental Water Holder and the huge impacts that the management of this water could have on other users. The management and the possible “third-party” impacts on allocations and the higher degree of variability are of concern to all irrigators and other water users.

Other options for measuring the impact of rural water bills on users?

Irrigation water is a critical component in the production of irrigated agricultural production. But it is only one component, in a very complex business model. HSI- M would like to see a review of agriculture and the role it plays within the wider community urgently. This would address the many concerns of rural communities and the role that agriculture has within the Australian economy.

How closely is water availability aligned with farm cash flows?

Water availability is closely aligned to cash flows, but it is not in isolation. There are many other factors that impact and should be considered including timing of allocation announcements, commodity prices and demand factors.

How and when do farmers take water availability into account when making production decisions?

Irrigated agriculture, is predominantly a summer crop production phase, therefore the timing of water allocation is critical to production decisions. As a delay in water allocations, the production risk increases dramatically and at times there is no other suitable alternative

Within the Murrumbidgee Valley, High Security Irrigators would regard the 31st September as the critical date for summer production decisions to be made.

What is an appropriate basis to determine a trigger level of water availability before there is a significant impact on the cash flows of customers?

HSI-M recommends that a trigger be two consecutive years of 1 in 20 year low announced available water determinations (AWD's). The trigger should be considered within the 10% of historical allocations for that for two consecutive year.

3. Tariff Structure

High Security Irrigators – Murrumbidgee, would like to express its support of the current 40:60 fixed / variable charge structure. We would also highlight the ACCC objective of full cost recovery

of water charges. This objective has serious impacts for rural and regional communities that rely on employment within the agricultural sector.

Some consideration of the wider community benefits of irrigated agriculture, should be considered, as the cost of delivering water increases annually, commodity prices and production inputs do not.

High Security Irrigators – Murrumbidgee would endorse New South Wales Irrigators Council submission on tariff structure.

4. Cost Shares

What are your views on the cost share options presented? Do you agree with our preferred option on determining cost shares?

High Security Irrigators – Murrumbidgee supports the role of IPART in this process. We also agree that an eight year review process by IPART is also appropriate.

Conclusion

High Security Irrigators – Murrumbidgee welcomes the opportunity to contribute to this engagement process with IPART. We consider IPART role within the framework of bulk water charges within New South Wales.

We hold grave concerns of the potential impacts that could be implemented by the ACCC and the role it plays with irrigated agriculture. The ability of government or semi-government authorities to pass costs or increases in fees to other parties and in particular to water users, has an impact on the cost of production and the long term viability of irrigated agriculture.