



Peak body for five landholder associations and 1600 irrigators in the Murray Valley
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PUBLIC SUBMISSION

IPART; REVIEW OF RURAL WATER CHARGING SYSTEMS

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General Comments:

Southern Riverina Irrigators (SRI) is the representative body for irrigators within the Murray Irrigation Areas of the Southern Riverina. **This submission seeks to provide regionally specific support for the broader position outlined in the NSW Irrigator's Council submission lodged separately. Therefore detailed responses to specific questions should be considered covered in the NSW Irrigator's Council submission.**

Irrigation supplies in the Southern Riverina are sourced from the Murray River system. The irrigation distribution network is operated by Murray Irrigation Limited.

Water prices for farming businesses operating within the irrigation region represents a significant cost input to individual businesses. Regional water entitlements primarily are NSW Murray General Security entitlements and therefore water availability is subject to a range of operating rules that requires different business planning to high security entitlements in other regions. Increasing uncertainty arising from the Basin Plan, may have a serious impact on the region's irrigation industry and therefore the capacity to pay future water charges.

The Southern region of the Murray Darling Basin is subject to major changes under the proposed Basin Plan. The Basin Plan proposes 2750 GL of water to be reapportioned from productive to environmental purposes. Of this 2289 is to be sourced from the Southern Basin.

The development of the Basin Plan has not been accompanied by transparent information in relation to the management, storage and delivery of environmental flows. Nor is it clear what will be the weighting of water recovered in individual valleys.

The volume of productive water remaining in a valley therefore may not be known for some time. This has significant ramifications for future water charges for those irrigators remaining in the system. Despite infrastructure operator efficiency gains, a clear threat to the viability of remaining irrigation businesses, is the affordability of irrigation water.

The redistribution of irrigation water to the environment, should be a key factor in Government considerations on future water charges and full cost recovery, particularly in valleys most impacted by the Basin Plan.

Inquiry Terms of Reference

SRI is concerned that the terms of reference and scale of potential impacts related to this inquiry, is not compatible with the limited opportunity for community input.

The three main points in the terms of reference could impose significant change to prices for water or the future process for how prices will be determined.

SRI urgently seeks an extensions of the inquiry timeframe to enable appropriate levels of consultation with basin communities.

The terms of reference require much broader investigations on the details raised before water representatives can make informed decisions.

IPART

Southern Riverina Irrigators (SRI) continues to express its support for IPART being the appropriate body to determine water pricing in NSW. Further SRI supports the activities of IPART in determining and influencing the Murray Darling Basin Authority's broader water pricing policies.

SRI is concerned that there is considerable risks to irrigators if the States have imposed price determinations as proposed by the ACCC.

There is a need for State involvement in broader bulk water pricing, which should include full recognition of who will pay the actual water charges. There is a real risk for water users, that the cost imposed via future water charges will not be transparent nor will end users have influence in pricing determinations.

Major changes to current arrangements are likely to force irrigation prices up, with water entitlement holders having no opportunity for review, input to pricing or an effective ability for efficiency demands.

SRI believes that it is not possible for a Federal body (eg ACCC) to implement effective decisions on water pricing at a national level. This is due to the complexities of Basin supply systems, recognition that centralised MDBA arrangements are open ended and may not lead to efficiencies.

There is real risk that pricing decisions may be made in the absence of understanding pricing impacts at water customer level.

SRI does not support the ACCC's pricing principles as outlined in the Water Charge (Infrastructure) Rules (WCIR). It is noted that should such charging arrangements be implemented, the future of irrigation businesses in the Southern Riverina of NSW may well be compromised.

Submission timeframes:

SRI welcomes the NSW Government commitment to review rural water charges but the timeframe for consultation does not allow full participation by members of representative organisations.

Further, the timeframe imposed for a review on rural water charges will not allow appropriate exploration of the full range of issues that may need consideration. This is an important factor, when including other major Government policy areas also affecting irrigation regions. The Murray Darling Basin Plan is absorbing considerable resources of industry and communities. It is simply not possible for small representative bodies to meet the requirements for consultation posed through State and Federal policy areas that currently impact on the irrigation industry.

The NSW Government should consider also, social considerations in rural populations where pressures of drought and reform fatigue have taken their toll. Rural businesses and irrigation communities are facing extremely difficulties circumstances. The expectations of Governments, that rural businesses can absorb ever increasing inputs are unrealistic. Nor can communities provide effective input into Government policy areas when resources are limited and timeframes for comment are limited.

SRI strongly contends that economic pressures on irrigation businesses from rising input costs and following prolonged drought, have removed the capacity of many businesses to meet new cost pressures, imposed by Government policies on full cost recovery.

The terms of reference of this review and limited timing, may also prevent appropriate investigations of issues of concern, that led to the NSW Government's election commitment to review rural water charging.

Full Cost Recovery

Southern Riverina Irrigators (SRI) is concerned that the current interpretation of 'full cost recovery' has no clearly defined boundaries. There is no concept of 'a ceiling', nor are the full 'externalities' that contribute to 'full cost recovery' known.

The current scenarios of 'full cost recovery' is open ended and irrigation businesses are expected to absorb those costs, yet have limited opportunity for influencing future costs imposed through Government charges. SRI proposes that factors are made fully transparent and full consultation should occur to determine what 'full cost recovery' actually means.

Price rise justifications by NOW and State Water will remain problematic for water charges. SRI does note IPART's role in determining equitable cost applications, but the issues remains a risk for irrigation regions.

SRI is aware that the principle of full cost recovery is not extended to all other industries in Australia, nor members of the public, benefitting from Government services.

Current concerns relate to full cost recovery on a NSW State Basis, but implications may also extend to the future operations of the Murray Darling Basin Authority (MDBA).

Future operations of the MDBA may be implicated in 'full cost recovery' imposed by the NSW Government. Currently contributions to the MDBA may lie outside the determinations of IPART, but it remains unclear what boundaries (if any) will be around future MDBA charges that State Governments are to contribute to.

Such scenarios identify the limited options at an MDBA level, for water users to have influence or seek efficiencies, for costs which are then imposed via State water charges.

SRI is concerned that the full implications of the MDBA costs structure on future water charges, remains unclear and non-transparent.

Regulatory environment

The Commonwealth Water Act 2007, identifies that ACCC will be responsible for making price determinations for State Water's activities within the Murray Darling Basin.

The development of the Water Act 2007 in response to the Millennium drought, has raised issues for the future management of water that may not have been fully explored at the time.

It is in the implementation of the Water Act 2007 that the full impacts of political decisions at the time are now being understood. The haste to develop the Water Act was not accompanied by genuine community consultation nor appropriate input to the decisions that have long term ramifications on water users.

SRI does not support current proposals for the ACCC to determine water pricing imposed on NSW water customers.

SRI argues that IPART should be the regulatory price authority for all NSW water charges.

Threshold tipping point – water pricing

Irrigation businesses within Murray Irrigation have been under immense financial pressure arising from prolonged drought and policy changes over the last decade.

Many farmers are operating at threshold tipping points for business viability. This is not due to inherent problems with their business, but is a reflection of the extent and severity of the drought and their inability to experience a period of a return to profitable cash flows.

Therefore future input costs and farm viability are on a knife edge. Unlike many other industries, rural farms do not have the ability to pass on their costs. Farmers are hostage to international and domestic prices and therefore in the context of their own rural business, the concept of cost recovery, let alone full cost recovery has not been there.

SRI strongly argues that a region's capacity to pay, must be taken into account in future water charges.

Part 4 Assessment Criteria

SRI expresses concerns about the limitations of the current discussion paper, in particular the timeframe to have meaningful input.

Questions such as 'policies to better match rural water price structures with customer cash flows' cannot be answered effectively without extensive consultation with members. The current IPART timeframes of six weeks has not permitted this and therefore SRI reserves comment on specific questions.

SRI is not in a position due to the inquiry's short timeframes, to provide informed response to the questions posed. SRI does draw attention to the fact the irrigation farmers in the Murray Irrigation region, are subject to both NSW State Government and private infrastructure operator charges.

The combination of these charges are significant with individual business costs varying, depending on the water entitlements held. Whether the costs are less than or significantly more than \$50,000 is irrelevant. The issue is the individual business capacity to pay.

It is critical that decisions on water pricing factors in 'an ability to pay'. Too often, Government departments seek to recover costs on Australia's agricultural businesses, on the assumptions that farmers can 'adapt' to change and meet continued pricing challenges.

This submission strongly argues that such illusions are just that! Farmers do not have the capacity to pay water charges at the rate of current increases and within an open ended water pricing structure.

Current and proposed water charge increases including how pricing determinations are made, is likely to be at odds with farm production and profitability. Governments need to recognise this and re-consider full cost recovery.