



**PEEL VALLEY WATER USERS ASSOCIATION  
INC.  
SUBMISSION TO IPART  
PROPOSED BULK WATER PRICES FOR 2001/02**

**INTRODUCTION**

The Peel Valley occupies a unique position within the water use environment in NSW and as such deserves special treatment with regard to bulk water pricing. The Department of Land And Water Conservation has proposed an ongoing increase of 20 % per annum for the next three years for all river valley services. This level of increase is totally unacceptable for an already stressed rural economy such as ours. We do not seek out special treatment, but we do seek a fair go and this cannot be achieved under such an outrageous claim as that put forward by the DWLC. The basis of these reasons is outlined below.

**1. THE OVER ALLOCATION OF CHAFFEY DAM.**

In the Peel Valley we have a situation where the Department in the past has over allocated our major bulk water storage, **Chaffey Dam**, due to some inexplicable bungle. This sees us faced with a maximum allocation of 80% when the dam is at spill at the beginning of the season, i.e. July 1<sup>st</sup>. When the dam is at 50% we get zero. We have been offered neither compensation nor indeed even an apology for this **inexcusable** situation. Our only hope it seems is to hope for a wet spring and a possible subsequent upgrading of our allocations. This is a clearly unacceptable situation, which gives rise to the DWLC being in a position, which allows it to be the only organization that can charge for a commodity but not supply it. Despite all of our member's best efforts we have been unable to find customers who will pay for our produce but allow us to not supply the produce. DWLC argues that it has ongoing asset costs even when it is unable to supply water, well so do all irrigators. Thus as DWLC wants to act like a real business, it must also accept the drawbacks of the real world. To charge but not supply is an unacceptable situation and this issue needs to be addressed by **IPART**.

**2. THE EFFECT OF TAMWORTH CITY COUNCIL'S HIGH SECURITY ENTITLEMENT.**

**Tamworth** City Council has a high security entitlement of approximately 16400 ml out of a total available allocation of approximately 48000 ml and a total storage of 62000 ml. This effectively means that they control 50% of the water in the dam and as this is high security water, when the dam is half full they get all of it! Nothing is left for irrigators even though there is still 3 1000 ml in the dam. On historical usage patterns this represents three years of water for the city to keep it's parks and gardens green while the surrounding countryside and it's inhabitants wither and die. We will however still have to pay an extra compounding 20% per annum for entitlement to water we can't have. Again this is clearly unacceptable.

### **3. DEREGULATION OF THE DAIRY INDUSTRY.**

The dairy industry in the Peel Valley directly employs over 150 people and generates revenues in excess of \$50 million annually. The deregulation of the industry on July 1<sup>st</sup> 2000 has caused up to 50% of dairy farmers in this area becoming unviable. Dairy farmers represent one of the major water user groups in the Peel Valley and many other irrigators in the valley are engaged in fodder production for sale to the dairy industry. Without half their customers they have also become unviable. For the benefit of the entire district, not least of which the many businesses in Tamworth City who depend directly on the dairy farmers and irrigators for their livelihoods, we need to limit the impost of any increase in water charges.

Utilization by the DWLC to a benchmarking report of 1996/97 for dairying in the Bega Valley claims to show only a 1% effect on Total variable costs. This is selective and dishonest quotation of a data source by the DWLC. The aforementioned deregulation of the Dairy industry has seen Dairy Incomes against which the TVC was calculated crash by 30 to 50 %. Thus the calculations of the effect of the proposed DWLC increased charges on irrigator gross margins are understated by a large amount.

## **RESPONSE TO DLWC'S SUBMISSION TO IPART.**

In addition to the above listed concerns specific to the Peel Valley there are also several concerns we have with issues raised in the DLWC's submission.

### **1. REGULATED RIVER SERVICE PRICES.**

The DWLC in constructing its assessment of economic impacts due to its proposed charges, on irrigators in the Peel Valley borrowed heavily on information provided in a report by NSW Agriculture. (Crean J. Scott. F and Carter. A. An Economic Assessment of Water Charges in the Peel Valley (2000)). Referenced on page 34 of the DWLC submission.

This document has such serious flaws as to be regarded as an unreliable document and as such reference to it by DWLC, and their subsequent assumptions as to the impact of the proposed increased charges are incorrect and should be disregarded. To evidence this, I include the following points:

- 1) The NSW Agriculture report was NOT provided to the Namoi – Peel CSC and its comments were therefore NOT incorporated into the report as claimed in IPART's Report No. 7, 2000 page 19. This is a serious integrity issue for all water users, but should be of particular concern to all Customer Services Committees.

- 2) NSW Agriculture is currently working on a revision of the report and reassessing its assumptions – particularly those of irrigated area and gross margins due to the following points that were brought to their attention
- a. The representative **farms** are hypothetical NOT actual farms and are not cross referenced to actual farms
  - b. Three of the four “representative **farms** “ are unrepresentative of the valley as they represent only the largest 20% of license holders.
  - c. Economic analysis is based on prices for Lucerne hay of \$6 per bale for 70% of product. This equates to a Lucerne producers wildest dreams not reality.
  - d. The data utilized for Peel River usage and reliability is incorrect. The Peel River has the lowest reliability of supply of all the northern regulated rivers NOT the best.
  - e. There are no other crop options in the Peel Valley, which have a higher gross margin than Lucerne, as water availability is insufficient for such crops as Cotton.
  - f. The area of Cutting Lucerne used was too large and the volume of water used per season too low compared to reality **farming**.
  - g. The Gross margin Calculations failed to factor in the full water cost, using only the usage charge.
  - h. The hypothetical representative farms production and costing is related to the actual DWLC recorded acreage water use in **1997/98**, which was an average season, but with unusual rainfall patterns in that of five cuts of Lucerne it would have been likely that only three cuts would have been watered. There is significant room for error when hypothetical, not actual **farms** are correlated with actual water usage.
  1. The Ground water details are also wrong, as in dry times the ground water depletes rapidly and is an unreliable source of water and is well over allocated - with respect to yield. The ground water does however refill rapidly after a significant rain event and as such should be viewed as a totally different type of resource to the groundwater of the lower Namoi.

Despite all of these deficiencies, the report demonstrates a reduction in Net farm income of 11 % ranging to 27% and a reduction in operating returns of 16 % to 109% across the four representative farms. These figures were NOT highlighted in the conclusion of the report. NSW Agriculture has reassessed the term “Major Viability” and has defined it as sending the irrigator broke. This was not spelt out in the report.

As Mr. Laurie Pengelly, submitted at the Sydney meeting of the CSC on the 9<sup>th</sup> of April 2001, the selective quotation of the NSW Agriculture document, by IPART and the DWLC lacks integrity and compels the DWLC submission to be classified as dishonest.

## **2. UNREGULATED RIVER PRICES.**

On P 28 of their submission, the DWLC claim that a higher level of management of Unregulated Rivers will be required as a result of the changes by the department to the allocation system for these rivers. Included in these changes is a cost to the irrigator of at

least \$2000 per pump site for the installation of metering equipment. On top of this the DWLC claims that it is proposing a cost increase of just 20% per year. Strange though that when we take an actual license for a 40 HA area in 2000/2001 (which cost the license holder \$263.60) and convert it to 240 Meg (6 meg/Ha) for which the DWLC proposes to charge a total of \$3.20/ meg, the cost rises to \$768 for the same license. This increase is not 20 % per annum fro three years, but a total increase of **191%**. When combined with the cost of meter installation the irrigator is actually **facing massive** and disproportionate cost increases.

## **GROUND WATER**

It is unfortunate although not unexpected that the DWLC found it too difficult to understand that the aquifers of the Namoi and Peel Valleys are different in type, development and usage and that as such they should be treated and priced differently. The Peel Valley Ground Water is a shallow system with the water located at around 8 to 10 meters below ground level as opposed to the Namoi's, which are many hundreds of feet below ground level. Similar disparity is seen in the systems recharge and draw down ability. The Peel Valley Ground Water is a rapidly depleted system with a similar very rapid aquifer recharge following a significant rain event If the DWLC took the time to speak and believe the historical information about the groundwater system **from** the many long term ground water irrigators in the valley, it would not need to incur the costs of monitoring and managing the resource that it allegedly needs to incur.

## **COST SHARING**

### **PC3) FLOOD OPERATIONS**

The rationale for **IPART** user cost sharing with regard to Flood Operations is that the costs of such flood operations should be shared on a 50: 50 basis, such that irrigators have to meet half of these costs. This is grossly unfair to the irrigators of the Peel Valley, as there are over fifty thousand people who live in this flood prone valley and who are protected by upstream water storage and who are liable for half the costs **of this** resource. Meanwhile the regulated water users who number less than 200 are lumbered with the other half of the costs. This disparity needs to be addressed urgently so that the Peel Valley Regulated Water users are responsible for the less than 1% of the costs of Flood Operations that is attributable under the user pays principle espoused by the DWLC

## **BUSINESS DEVELOPMENT AND SERVICE STANDARDS**

The DWLC submission to **IPART** puts a lot of emphasis on the department's adherence to "worlds best practice, Key Performance Indicators, Key result areas " and lots of pretty charts. While this looks like they have achieved something towards an efficient operation, the truth is totally the opposite. Any one who has to deal with the DWLC can provide you with the same picture, that of an overtly beurocratic department where inefficiency is a motto not just an aim.

There is rarely anyone able to provide customers with answers to their enquiries due to either,

- A) The person responsible being in a meeting or attending a pie chart workshop.
- B) The person dealing with your enquiry is unable to make a decision.
- C) The requirement that to ensure you know everyone in the DWLC personally is met. This is achieved by you being transferred, referred or just dumped on **from** one staff member to the next. At the end of this process, if the DWLC has any doubts they have initiated an interesting system of having your enquiry returned to the point of origin where you can start the cycle again.

The DWLC problem solution system is at least consistent in that all customers regardless of their type can enjoy the same protocol. To illustrate this system for members of **IPART** I have included a classic example **from** one of our members for your reference.

The DWLC proposed to convert all Unregulated services to a volumetric allocation rather than the existing area allocation (The DWLC make many references to this conversion in their submission to **IPART**). This conversion was to have taken place initially by early in 2000. Despite this one of our members license was not converted by mid 2000 and as future **farm** -development could not be planned or undertaken without surety of water supply, he approached the local DWLC office to ascertain the progress **of the** conversion. Over the next six months, the licenceholder was provided with enumerable different reasons for the failure for the conversion to occur, despite many assurances that the conversion was only two to three weeks away. In frustration the matter was refereed by the **licence** holder to the Director of the DWLC, who in turn assured the license holder that the conversion would be undertaken rapidly by returning the enquiry back to the point of original enquiry. That was over six weeks ago and yes you guessed it there still has been no conversion of the license.

The worst part **of this** case is that the license in question is one with a long history of recorded usage and one with documented and copied returns furnished to the DWLC of all surveys, water use patterns and DWLC requirements. As the DWLC is obviously unable to handle anything this straightforward, how can they possibly submit to **IPART** that they are an efficient organization.

## **RECCOMENDATION TO IPART**

### **DEREGULATION OF THE DWLC MONOPOLY ON WATER SUPPLY**

It is interesting to note that while the DWLC makes much mention of the National Competition Policy and its requirements, that there is absolutely no competition in the supply of irrigation water for farmers to choose from. It is our recommendation that **IPART** look into this problem in the interests of adhering to National Competition Policy.

As the Peel Valley, like most irrigation areas has a variety of irrigation supply choices, there is an obvious opening for the splitting up of the DWLC's supply Monopoly into separate regulated, unregulated and Groundwater management groups which could then compete in a true and open fashion for the best utilization of water resources.

### **UNIFORM WATER CHARGES**

It is the recommendation of this association that, in the regulated system the bulk water valley based charges should be replaced by a uniform statewide charge, for the efficient delivery of bulk water services.

This would alleviate the current situation whereby an irrigator in the Murrumbidgee system is paying \$4.06 / Meg currently, rising to \$4.76 per Meg in 2003/2004. Whilst his compatriot in the Namoi system is paying \$11.03 currently, rising to \$19.06 /Meg in 2003/2004. The DWLC claims there is no significant pain in a 73 % increase for the Namoi, yet this price rise alone is 168% more than the proposed price for the Murrumbidgee system. A state wide flat charge for what is after all the same product would provide a much more equitable basis of charges than currently exists.

### **Conclusion.**

From the above it should be clear that any increase in bulk water charges is unjustified to irrigators in the Peel and would **infact** be devastating to the whole community. We trust that IPART will take our concerns into consideration when making its determination.

Adrian Snowden.

On behalf of;

The Peel Valley Water Users Association Inc.

May 9<sup>th</sup> 2001