



**PETER DRAPER MP**  
Independent  
Member for Tamworth



**Submission to Independent Pricing and Regulatory Tribunal**

**Review of Prices for the Water Administration Ministerial Corporation  
Recovered by the NSW Office of Water**

**Public Hearing Tamworth – Thursday 22 July 2010**

I welcome the opportunity to present this submission on behalf of the residents of the State Electorate of Tamworth, in response to the Independent Pricing and Regulatory Tribunal's Review of Prices to recover water user's share of the efficient costs of the NSW Office of Water.

Today's Public Hearing provides another opportunity to draw your attention to the devastating impacts that recent IPART determinations will have, in particular on residents, agriculture and business in the Peel Valley. I am sure that many individual stakeholders will outline the negative impacts of this determination on the future of their enterprises, so I would like to present an overview.

IPART has set water prices on a per valley basis with new prices applying from July 1 2010 to 30 June 2014. This determination will see annual bills for regulated bulk water prices increase in real terms, with the size of the increases varying widely depending on which Valley customers are located in, whether they hold high security or general security licences, and their annual water usage. Peel Valley's water users stand to be hugely disadvantaged in comparison to other systems, and this will make it very difficult for them to compete because the playing field is anything but even.

A high security customer in the Peel Valley with 500ML entitlement and 100% allocation will see their bill increase from \$18,607 in 2009/10 to \$30,223 in 2013/14, an increase of 62%. By comparison, similar usage in the Murrumbidgee would cost \$3,054 (a 2% rise), in the Murray \$3,666 (+9%), in the Gwydir \$12,451 (+66%), in the Lachlan \$13,757 (+54%) and in the Macquarie \$11,491 (+61%).

There are similar disadvantages for Peel general security users when compared with the other river systems. General security customers with a similar entitlement and 60% allocation in the Peel will see a 46% rise from \$8,572 to \$12,550. For a 30% allocation the rise is 46% in the Peel. By comparison, a 60% general security entitlement on the Murrumbidgee will cost \$1,746 (-4%) and on the Murray \$2,406 (+5%).

These imbalances will destroy a local producer's ability to compete successfully with producers in other river systems, because local overheads will be highly disadvantageous. When coupled with increases in energy charges, plus limitations imposed by water sharing plans, our local agricultural sector faces very tough times ahead, not to mention the imposts that flow to local businesses and residents.

Local producers have estimated this determination will see the cost of water per tonne of lucerne hay rise from \$27.08 in 2007, to \$56.36 by 2014 in the Peel Valley. That will make our farmers uncompetitive with farmers in other valleys, and force huge increases in fodder costs should their produce be able to be on-sold.

The increase in bulk water prices should not be looked at in isolation. Electricity price hikes of up to 13%, combined with up to 24% increases planned for the next two years will also have massive negative impacts for the Peel Valley. Individually the proposed price hikes will have severe negative impacts on rural and regional development, while combined they are potentially disastrous.

As I have mentioned, the determination on water pricing must not be looked at in isolation but as part of the whole raft of increases, and it is necessary to consider flow on effects. For example, much time and money is being spent on environment and climate change policies, yet the savage impacts of rising utilities charges are already forcing primary producers and others to switch from electricity, as their primary energy source, and convert their operations to diesel engines. Are we prepared to see diesel engines spring up in every farm paddock and backyard because our electricity system has been priced out of the reach of users? Are we prepared to see the irrigation industry in the Peel Valley destroyed because costs increases on water and electricity make the no longer viable?

For many country people, regional development is a hard-to-achieve dream, and escalating utility charges are exacerbating that problem. The Independent Pricing and Regulatory Tribunal and the Government have failed to consider the cumulative consequences of these various price rises and the negative impacts that will flow from them. Small businesses that are vital to country towns, particularly the smaller towns, are struggling to make ends meet due to these continually rising imposts on water and electricity.

On behalf of the Peel Valley community, I urge the Independent Pricing and Regulatory Tribunal to address these serious community concerns, and take steps to encourage innovation in our rural sector, sustainable growth our regional community, and provide security for businesses, families and the environment.

Yours sincerely



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