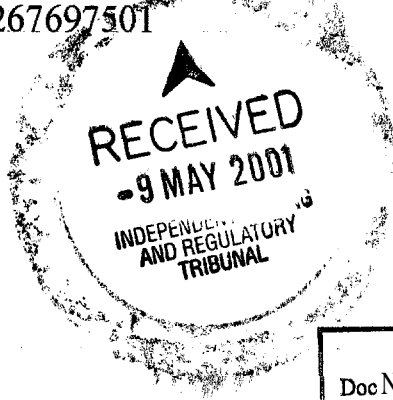


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5th May, 2001



Program Manager
IPART
Bulk Water Pricing
P.O. Box Q290
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N.S.W. 1230.

IPART Doc No.....File No.....

Dear Sir,

I have read the Submission to IPART on Bulk Water Pricing and the reasoning put forward by the Department of Land and Water Conservation. I must strongly object to the price increments proposed to both the Regulated Water from the Peel River and the Groundwater from the Peel Valley.

Peel Valley Groundwater.

Quite simply it is wrong that some- licence holders have been charged whilst others -have not. The Dept. of L&WC are still finding licence holders in the Peel Valley that are not on their database.

There have been no major problems with Groundwater (with the- exception of- running out--of water) that have not been quickly rectified once good rain has occurred. Admittedly it is well and truly over allocated but until new more efficient ways of extraction are found there is no real danger to the environment because it becomes too inefficient to pump, and there is an embargo on new wells and bores.

I am not sure of the exact status of the data base (Licences) that the Dept. of L&WC are using however I do know that some irrigators have paid for their entitlement and others have not. I do know that the Dept.- of L&WC recently discovered more licences that were not taken into account, and this is a real concern for various reasons. These licences will greatly affect the final allocations (that are still to be calculated) desirable to achieve sustainability.

I am very concerned with the data that the Dept. of L&WC is using for their calculations. I have brought this to their attention before but I notice that in the *Economic Assessment of Water Charges in the Peel Valley* (which was prepared for the department) is still getting confused with the conversion from Imperial to Metric. (ie. They are changing the name of the units with out converting the value.)

eg. Page 7 *Assessment of water charge increase in the Peel Valley* states; 'The Alluvium in the Peel is typically between 10 to 20 metres thick.' **This should be 10 to 20 feet thick.** This is a variance of over 300% and quite unacceptable from professional bodies. Once this is corrected the amount of stored groundwater would be in the order of 3 to 6 ML, per hectare. This is a considerable difference. Also it states 'There is a close connection between river levels, rainfall and groundwater levels, However in times of drought, groundwater reserves are a more reliable source of irrigation.' The first sentence is correct, the second sentence is contradictory to the first sentence and therefore incorrect.

'It is proposed to increase the base charge for managed areas by the **maximum 20%** per year'.

Is the Peel Valley Managed? I do not believe so, however this is largely dependent on the definition of **'managed'**.

There should be no charges on groundwater until all licence holders can be treated equally. All equipped bores and wells should have meters.

Peel- Regulated River Prices.

Unfortunately time does not permit and perhaps I do not have the desired skills to adequately address the proposed increments to the Regulated River Charges. **The irrigators on the Peel River cannot absorb these increments.**

DLWC's pricing rationale is:

1. Prices should yield full cost recovery.

2. Those benefiting should pay.

3. Changes should be spread overtime to minimise dislocation.

Full cost recovery of what? The goal posts are constantly changing. This is not satisfactory, it appears that DLWC are constantly creating new ideas to try and support their Department or should it be State Water. If it is State Water, why are they not playing a larger role in the submission? **State Water is not being run as a true business but as an arm of DLWC.**

New Capital Investments.

It is interesting to see that DLWC want to **'double dip'** with funding from irrigators. **They want irrigators to fund the NEW CAPITAL INVESTMENTS and then they want the irrigators to pay a return on this funding.**

Whilst I do not agree in total with ABARE, I have been a cooperator since 1993 and the following are the % return on capital after taking into account remuneration for work carried out by the cooperators family: I do not believe that ABARE consider penalty rates (ie overtime, Saturdays and Sundays) Workers Compensation Insurance nor Superannuation when calculating **Operating and family labour**. If these were taken into account, as they should be the returns on capital for the following would be considerably lower. Our business is categorised as Broadacre which includes Wheat and other crops, Mixed livestock-crops, Sheep, Beef and Sheep-Beef The average returns on capital for the following years by cooperators were:

1993/94	6.1%
1994/95	-0.7%
1995/6	1.5%
1996/7	2.4%
1997/8	9.3%
1998/9	-6.3%
1999/2000	-0.1%

Nowhere is there a hint of 7%; and more accurately, there is no return on capital.

Beneficiary Pays

Much more emphasis must be given to all occupants of the planet as being the beneficiaries not just the irrigators. Irrigators do not have the necessary business tools to enable them to pass on the costs of maintaining the environment and this must be the responsibility of the governments. Irrigators are small concerns competing with each other for a small part of the economy. They do not have the powers of many big businesses to dictate terms. Irrigators are similar to other small businesses, some should not be managing their business and consequently consumers (or perhaps the middleman) are the winners. Prices cannot be held: eg lucerne hay sold for \$7.00 per bale during 1965 and I have never sold hay above \$6.00, that is over a period of 35 years.

At Tamworth Mr Robert Marsh from DLWC Pricing-show&an-overhead where the Irrigators should contribute to bad debts. State Water have the power to control water therefore it should only be through bad management on behalf of State Water that any bad debt should be incurred that cannot be repaid and therefore not the irrigators responsibility. ie State Water should have similar powers to collect--debts that Shires do.

Page 2 of DLWC's submission-states *'The underpricing of bulk water services will perpetrate ecological degradation because water services are not allocated to those users who value them most'*. This is not true in the Peel Valley and because of this is not true the irrigators will suffer when allocations are finally set taking into consideration the Murray -Darling Basin Cap. Irrigators of the Peel have found it very hard to find a crop that returns sufficient income: -If this were not so irrigators entitlements would be fully utilised instead they are only about 35% used.' Instead 'most irrigators are barely making wages and are certainly not getting a return on their capital investment. Already irrigators are trying to come to terms with the price hikes and in the future more water will be used to justify the cost of owning a licence: This is contrary to the Governments Policy of Conserving Water.

There is still a lack of transparency and accountability within the -Department of Land and -Water Conservation. Until this problem is overcome it is untenable to consider what the user cost may be. A 50% user cost toward Safety and Environmental Issues is unsatisfactory. Irrigators do not make up 50% of the community and therefore should only be asked to contribute their share, which is less than 10%. This is of major concerns to irrigators because the amount requested is extremely high for the water provided. One cannot help but wonder should Chaffey Dam have ever have been built considering how much is required for safety. Chaffey has not delivered the water required to lower parts of the Peel when it was so urgently required during the drought of the 90's. Perhaps we will have to be content receiving unregulated water but paying for the luxuries of regulated water.

Dislocation of businesses.

Mr Robert Marsh (during his presentation-in Tamworth as Pricing Officer for the DLWC) pointed out that the DLWC had no intention of putting irrigators out of business. This is already happening and admittedly it is not all to do with the price of water; but it is a contributing factor and must be recognised.

Due credit must be given to the DLWP for trying to establish the profitability within the Peel-Valley and cannot be blamed if the *Economic Assessment of Water Charges in the Peel Valley* is flawed. It is time that the DLWC learnt to distinguish-between-feet-and-metres. I pointed-this out to the hydrologists based in Tamworth 2 years ago. (I questioned them three times before they checked past records to reveal that they had changed 1 foot to 1 metre without converting and still this error exists,)

Perhaps the glaring statistic (**Economic Assessment of Water Charges in the Peel Valley**) is the amount of water used to produce a hectare of Lucerne. This is shown as around 3ML and yet the **NSW Ag Handbook** shows 6.25mg. The amount used does depend on rain but at our recent meeting of irrigators it was agreed that 1.2ML was required for a cut of hay and there are up to 7 cuts per season. ~~There has been some good work done by the Ag. Dept.~~ in compiling this report; however there are anomalies that need correcting. It would be good to see this work revisited so that **an accurate presentation could be made both for the interest of the irrigators and the DLWC.** I believe that **Mr Laurie Pengelly** will comment on this report in detail.

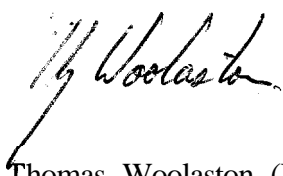
I would also like to point out that by observation of farms in the Peel Valley it can be seen that they are being underutilised and that there must be a reason for this. The reason is the lack of economic returns and by raising the water price will only add to the problems. Many family partners are already forced to **find** off farm income.

The Peel is being asked to pay the most for water and yet our coastal competition is subsidised. This is where most of our hay is sold. It is the Government's Policy that a *level playing field* be observed yet this is not so. Not only do **lucerne** farmers on the coast get subsidised water but they also do not have to incur the transport costs associated with producing inland.

It is unacceptable to treat **licence** holders differently; especially if they meet the same criteria. All **licence** holders should have meters. Just because a Trust is controlled by the DLWC it is not sufficient grounds to waive **the necessity to fit a water meter.** I know of one example of this occurring in the Peel Namoi Valley and cannot help but wonder if there are more.

Perhaps ~~the fairest system would be to have all irrigators in the State~~ pay the same costs regardless of where their farm is located. One must remember that Irrigators were not approached **before** the dams **were constructed as to the ongoing efficiencies and costs.** **Had** this been done, I doubt that Chaffey would have been built.

Yours faithfully,



Thomas Woolaston (Director)