

18 November 2005

The Chairman  
Independent Pricing and Regulatory Tribunal (IPART)  
Bulk Water Review  
PO Box Q 290  
QUEEN VICTORIA POST OFFICE NSW 1230



Dear Sir/Madam

**RE: PROPOSED INCREASES IN WATER CHARGES BY STATE WATER CORPORATION ON REGULATED AND UNREGULATED STREAMS IN THE BEGA VALLEY**

This firm acts professionally for around 40% of the dairy farm suppliers to the Bega co-operative Ltd. There remains approximately 100 viable farms supplying the Bega co-operative Society in this region.

Over the past five years we have worked closely with our dairy farm clients and in particular we have done a lot of work in the area of ongoing viability and maintenance of profits.

The last three years of drought and the increased costs and pressures from safe food, OH& S, responsible work practice, etc are seeing the industry come under severe pressure.

This region is recognized as a model for best practice and standards in the dairy industry and the Bega Co-operative Society have been recognised as one of the great success stories of regional development.

Few organizations are as qualified as us to comment on the impact of these proposed increases due to the financial analysis and work we do with such a large portion of the Bega Co-op milk supply base. From that work we can say without any doubt that the proposed charges will seriously threaten the industry in the region and will result in the closure of a very significant number of farms. We would estimate that of the 70% of farms that are reliant on irrigation at least half of those will cease operation within five years and on the Brogo River the proportion will be much greater than half.

While it is acknowledged that the irrigators on unregulated streams are facing a lesser increase the viability of their operation is also more marginal because of poor reliability of water supply from these streams causing regular disruption to farming operations.

The loss of half of the farms in the region would be a critical blow to the industry, one from which in our view it will not recover due to the loss of economies of scale and infrastructure to support the industry.

Other offices located at:

MERIMBULA Tudor House 77 Main Street, Merimbula NSW 2548  
EDEN 14 Chandos Street, Eden NSW 2551  
BOMBALA 75 Caveat Street, Bombala NSW 2632  
BERMAGUI Shop 4/2 Wallaga Street, Bermagui NSW 2546  
JINDABYNE Nuggets Crossing, Jindabyne NSW 2627  
COOMA 57 Massie Street, Cooma NSW 2630

Our web site is <http://www.kothes.com.au>Chartered Accountants  
and Business AdvisersLiability limited by a  
scheme approved  
under Professional  
Standards Legislation

To put it simply, to increase charges to unaffordable levels will:

- a. Result in no users to pay the costs that State Water is seeking to recover
- b. Destroy one of the success stories of Regional Development in NSW

The dairy industry is the biggest employer of semi-skilled people in this region. There is in excess of 1000 jobs either directly employed on farms, at Bega Co-operative Society Ltd or directly supplying services to farms and to the Co-op, and this does not include indirect employment.

Traditionally this region has had high unemployment with the most difficult area being low and semi-skilled job opportunities. There is very little industry in this region with the other key industries such as timber and fishing also under threat and seeing significant job losses.

The loss of revenue to both State and Federal Governments of the demise of the dairy industry in the region would be many times the revenue being sought by State Water and the elimination of so much employment with the associated social and personal consequence for so many people in our view would make this the most ridiculous decision of any government department we have ever seen in this region.

We do not as a matter of practice make submissions in respect of government policy in this region and we have not expressed the strong views in this submission lightly. The people proposing these increases have absolutely no grasp of the consequences that will flow.

We recommend that no increases be applied to water charges and that future changes be limited to CPI. If there is ever a case to do a full social-economic study of the consequences of the policies of a government department this is it. We have significant data to contribute to such a study and would be pleased to assist.

Yours faithfully

**KOTHES PTY LIMITED**

John Hukins  
Managing Principal