

BEGA VALLEY WATER USERS ASSOC. (INC.)

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The Chairman
Review of Bulk Water Prices-Draft Report
Independent Pricing & Regulatory Tribunal (IPART)
PO Box Q 290
QUEEN VICTORIA POST OFFICE NSW 1230

Submission - Commenting on IPART'S Draft Report into Bulk Water Prices MAY 2006.

Introduction.

The Bega Valley Water Users Association (BVWUA) is disappointed with the outcome of the Draft determination.

Even though full cost recovery has not been imposed on the Coastal River Valleys we believe the Coastal River Valleys need to be separated from the rest of the state and deserve special consideration due to the political nature of their construction.

BVWUA is concerned that the disparity of pricing between the Coastal Valleys and inland Valleys is high especially as we have already had an increase of 15% over the last three years and now we are set to have a 100% increase imposed on us in the next five years.

Our BVWUA submission specifically stated that we were willing to support a CPI increase each year based on the current year and any increase above that was unacceptable for our Brogo River irrigators.

The issues concerning Brogo River irrigators.

1. BVWUA is disappointed with the reports commissioned by IPART as they were fairly generic in nature and didn't take into account the peculiarities of the Coastal Rivers with their smaller volume water storage and usage.
2. The ABARE projection only took into account the effect of an increased water charge of 50% in their analysis for Brogo River irrigators.
3. We don't believe that the Hunter Valley dairy farmers are any less profitable than Bega Dairy farmers and that the survey may have been skewed by the particular sample taken in both cases; i.e. an overall survey of Hunter Dairy Farmers and a survey of Brogo River Irrigators in the Bega Valley.
4. That the "relative" profitability of the Brogo River dairy farmers may have influenced the tribunal on their ability to pay a higher rate. Pricing should be about equity across the state not ones ability to pay. If it depends on ones ability to pay the Murray Valley dairy irrigators have a much greater ability to pay more than they are currently according to ABARE.

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5. As we have stated in previous submissions, the viability of Brogo and Bemboka/Bega River irrigation farms is what drives the economy of Bega Cheese. Every cost increase is a threat to the through put of milk in the Bega factory and therefore the ability for Bega Cheese to pay farmers a sustainable price for their milk.
This in turn affects the whole economy of the Bega Valley.
6. There will be a point where irrigation water will become too expensive and irrigators will stop using it. Brogo River farmers are saying that point is between \$15 and \$20 per ML (State Water/DNR combined). These water costs will cause the Brogo Irrigation Farmers to become dry land farmers and reduce production significantly.
The result of this scenario will be the payment of the General Security Fee and no Usage Payment resulting in less revenue than State Water is currently receiving as there is no other potential user of the water in the Bega Valley.
In other words State Water will price themselves out of business on the Brogo River with water licences having no value.
7. If these price rises go through at the current rate we have concerns that in the next round of price submissions in 2009-10 by State Water and DNR will aim for full cost recovery again and we will be further disadvantaged.

What are the solutions?

1. The NSW Government, the SWC along with the DNR need to recognise the consequences of the proposed price rises on the irrigators on the Brogo River.
2. Any price rises necessary need to be linked to CPI and price increases limited to what the user can afford. We should not be subjected to the current pricing increases.

In Conclusion.

Brogo River dairy farmers contribute large amounts of milk to Bega Cheese (around 52%) and are very important to Bega Coop as a whole, both irrigation and dry land farmers.

Any price rise of the order proposed will have far reaching effects on the economy of the Bega Valley as it will not only affect irrigators but also the wider community.

We ask that the members of IPART carefully consider all the above arguments and those presented by Bega Cheese in their submission.

Yours faithfully



For

Frank Foster
President
Bega Valley Water Users Assoc. (Inc.)