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19<sup>th</sup> June 2006

Independent Pricing and Regulatory Tribunal  
Level 2  
44 Market Street  
Sydney NSW 2000

Dear Sir/Madam

### **SUBMISSION ON WATER – DRAFT DETERMINATIONS AND DRAFT REPORT**

Thank you for the opportunity to make comment on the Draft Determination and Draft Report. We wish to make the following points:

#### **1 Price of Water**

We are the only group whose prices will decrease over the period in question. While we are grateful for this, we are mindful that DNR costs are likely to significantly decrease with their proposed restructuring and this has not been reflected in the draft determination. We would like to know how it is proposed to consider the salient issues with the DNR restructuring and how this will be factored in to the final report. We would not be in favour of a repeat of last year where the determination only lasted a year and we were required to come back again this year.

We believe that DNR must provide the Tribunal with further analysis of its costs and activities post “restructuring”. From what we can detect, the restructuring is looking to cut some 20% of front line staff and this then begs the question of whether or not costs passed on to irrigators should then drop with a resulting decrease in bulk water charges.

We would also be concerned if overheads were left at similar levels thereby leaving irrigators exposed to a greater share of corporate overheads being assigned to them.

#### **2 Past Spending by DNR and State Water**

We are disappointed that the Tribunal has not sought to get to the bottom of the chronic under funding of State Water by DNR for a number of years and the under-spending of DNR by \$4 million dollars last year. Money has been collected by the Department (as it was then) and not spent on what they said it would be. What come back do we have? How can we

be assured that this will not happen again? If it does what remedies are in place for the Tribunal to investigate and stop this practice?

The Tribunal must put in place mechanisms to sanction this type of behavior. Money not spent on activities specified should be returned to irrigators and should not go into Treasury coffers. It is incumbent on State Water and DNR to have robust activity costing as part of their financial management so that we are able to see transparently the costs of undertaking certain activities.

### **3 Yanco Creek System Levy**

The Yanco Creek and Tributaries Advisory Council is a participating group of the Murrumbidgee Private Irrigators. We wish to thank the Tribunal for allowing the levy of \$0.90 per megalitre to be put on Yanco Creek System Irrigators for implementation of their natural resource management plan. We also believe it is step forward to enable other groups to have a levy put on for works if they are in agreement to do so.

### **4 Financial Reporting by State Water and DNR**

How is it that the Tribunal can set prices for State Water and DNR when neither have furnished sets of accounts for the last two years? This is truly a catastrophic failure of corporate governance at its very worse. We the industry who are expected to pay full cost recovery and rates of return to Treasury deserve better than this. The process as it stands places the Tribunal in a poor light because they are having to make decisions on information of dubious quality. If my members ran their businesses like the State does they would have been locked up long ago by the Tax Office.

### **5 Overall Comments**

We believe that for most irrigators in the state, the determination is an impost on regional Australia dressed up in the guise of the National Water Initiative and COAG. Many of the activities undertaken by DNR and State Water and charged to irrigators are fundamental and core government activities. A dangerous precedent is set when we charge one group for these activities and not other groups such as tourist operators, anglers and the like. Irrigator businesses are charged these costs because the government has a ready mechanism via water bills with which to extract these costs.

We have reservations about the lack of valley specific costing information provided by either State Water or DNR. Valley by valley costing information will provide a more transparent view of where expenditure is occurring and what the level of service is. We note that the Murrumbidgee Valley cost recovery will be 127% for the next year and this again is outrageous. This in effect means that Murrumbidgee Valley irrigators are subsidizing other state irrigators.

While there is some good news for my members with the draft determination there are some fundamental problems that the Tribunal has not taken issue with and has shown that its independence is at stake. Nevertheless we would like to thank the Tribunal for the opportunity to comment on the Draft Determination.

Yours sincerely

Murray Shaw  
Chairman

Lee Furness  
CEO