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Wakool Landholders' Assoc.

Deniboota Landholders' Assoc.

Denimein Landholders' Assoc.

19/06/06.

Southern Riverina Irrigators would like to comment on the Draft IPART Determination.

Our initial comment concerns the DNR and State Water submissions that indicated their organizations wanted these huge price increases to cover increasing costs. We were understood that Full Cost Recovery for the Murray had been achieved in the previous determination. This would indicate that an increase of CPI would all that would be required. However, the increase to MIL is 79%. In the light of Full Cost recovery being reached last determination, we fail to see where this increase could be justified.

Our next issue concerns the Implications for customers. The apparent callous disregard for the drought conditions that have existed in the irrigation areas over the last 5 years is extremely insensitive. You say that bulk water costs are only a small percentage of the farm business costs (p125). This statement is based on the ABARE farm survey. I cannot understand how this 0.7% to 5.1% was arrived at. Since the last determination, a survey of SRI members has found that bulk water charges (not total water charges) have amounted to between 10% and 12% of farm costs. They are much more significant in determining farm profitability than domestic interest rates, which you mention on p126. Domestic Interest rates vary between 0.5% and 1%, depending upon the farmer's equity, not the massive 79% increase to our Company. No mention is made of you taking into consideration the report submitted by Murray Irrigation Limited which showed many Farm Businesses will be struggling to meet these added costs. We find this most disappointing and refute the assumptions made by this body.

It is, in reality a far bleaker story. Last week in a large town in the MIL region a major machinery dealer closed its doors. A rural merchandise firm suffered the same fate. The facts are simple. They had too many outstanding debts, which could not be recovered.

Another statistic that contradicts the ABARE finding is the increasing number of farm businesses that have no other alternative but to use the Rural Merchandise Companies Seasonal Crop Finance. This is product that enables a farmer to borrow the costs associated with planting a crop, seed fertilizer and chemicals against the proceeds of that crop. In the past they used bank overdrafts. Now their credit is extended to the extent that this option is no longer available to them. This product didn't exist ten years ago. Now there are 20% of clients of the two major Rural Merchandise Companies using this facility. One Company, which sells Agricultural Chemicals only and doesn't require any security, has had an increase of 167% of people using this facility. These events are hardly consistent with the scenario that these cost increases can be absorbed by the irrigation industry.

Our next comment is again directed at DNR. Their submission stated the organisation required an additional 71 staff to fully implement all the policies it is required to. This did not indicate that the DNR were fully investigating efficiencies in their business. However, just last week, we hear that Director Shel Drake is trimming an additional 200 staff from the organization. Admittedly all these may not be from the water portfolio, but it does indicate that management has finally found some more efficiency in the organization and do not need all the increases they were after.

We note that State Water wanted a further 53 staff. I wonder if the same scenario would apply to them.

The Sharing of costs is another area of concern to Southern Riverina Irrigators. Being close to the Murray River we see the importance of tourism, fishing, boating and other recreational uses are to our community. We have Councils and Caravan Park Operators writing to our organization asking for support in keeping the weirs in place over the Easter Break, so there will be water in the waterways for the tourists to use. These organizations use the river, yet searching Table 5.1 and 5.2 we cannot see where they are charged for this service. It all seems to fall on the Irrigator.

Another major User of the water ways is the Environmental Movement. Governments categorically state that Environmental Flows benefit the entire community. When the authority concerned is moving water to an Icon Site, they are using the river and State Water Infrastructure just as irrigators do. We therefore feel it is unfair that irrigators alone should bear the entire cost of this ever increasing amount of water. Once again there is no mention of any costs being attributed to the real user of the resource.

Our final point of contention with the Draft Determination is the temporary transfer costs. We believe that this an extraordinarily high cost. In days when the governments of the day are encouraging the trading of water to maximize its potential value, here we have an organization, State Water, counteracting that program by charging this exorbitant fee. This is an area our organization feels could be opened up for competition. Murray Irrigation does not charge for temporary transfers, because the transfer operation is not complex and by the time you factor in the GST charging is not worth the effort. For State Water to apply to increase the charge to \$175 is exorbitant to say the least.

In conclusion we would like to stress the magnitude of these increases cannot be justified. With Full Cost Recovery being reached 5 years ago, it is beyond us that 79% is justifiable, especially in today's climate. Thank you for the opportunity to comment upon the Draft Determination.

A handwritten signature in cursive script that reads "Leigh Chappell".

Leigh Chappell
CEO