

Toonumbar Water Users Association

Submission to IPART Review on Bulk Water Prices 2004

Toonumbar Water Users Association
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In our submission to the 1998 IPART review, we considered that there were only three means of achieving the goal of achieving full cost recovery for the delivery of bulk water in the Iron Pot / Eden Creek regulated water system.

These were

- * Increase the amount of water used
- * Increase the charge per megalitre of water
- * Decrease the administration expenses associated with this water system

To a large degree this premise has not altered.

INCREASE THE AMOUNT OF WATER USED

The major users of water are the dairy farms. These farmers have spent large amounts of money to ensure that they can use available water in an efficient manner to provide a pasture based feed system. There has also been some interest from dairyfarmers in other areas for the growing of maize on the Toonumbar system as a means of overcoming the unreliability of other farming areas e.g. the higher reaches of the Richmond River.

The area of cropping has increased and with increased cost pressures, irrigation is considered useful as an insurance to ensure the completion of a crop.

The beef farms have had a difficult few years with their efforts hampered by the prolonged drought. Some with access to the regulated stream have used the water well, whilst others have preferred to reduce costs by not irrigating.

Some non traditional enterprises have appeared e.g. Tea-tree and Paulowina plantations but have not radically altered the agricultural face of the district.

In summary,

There is a core group of dedicated water users who use water in line with best practice. The Water Wise courses have been well attended.

The lowered allocations of water over the last two years have impacted on the amount used. This has also created a realization that the dam is a finite resource and when the pressure is really on it can not always fulfill its role as a reliable water source.

There has been a moratorium on the allocation of new licenses during the drought .So there is in fact an increasing demand which has not been able to be satisfied.

There are also a number of lodged licences which have not been allocated by DIPNR and have the potential to further increase water sales providing the water is available.

INCREASE THE CHARGE PER MEGALITRE

There is a realization that costs will increase, however the fact that this is continuing to decrease our terms of trade is a major concern. Dairy farmers are supposedly operating in a deregulated market place however many of their costs such as labor, workers compensation and quality assurance are regulated. It is quite apparent that within the rural community that this is having a detrimental effect.

In our 1998 submission, we stated that 36.67c/litre of milk was a typical price received in our area for the year 1996/97. For the year ahead it is anticipated that an average price will be in the range of 34.5c/litre of milk. Meanwhile variable costs, labor and fixed costs have moved from 27.5c/l to 31.9c/l

Simultaneously there is a community expectation for increased environmental responsibility. This costs both the water provider and users with no cash or profit benefit to either.

The figures for each industry are different but the trends and the concerns are similar.

Previously our group has recognized that price increases are inevitable but we again suggest moderation needs to be a key component in the decision. If drought conditions were to prevail for more successive years, any irrigation cost increases would have a significant impact on dairy farming viability.

DECREASE ADMINISTRATION COSTS

During the drought many lessons were learnt about improved management of our stream. There is a relatively small number of people involved in the water management of the stream. There is a very capable and experienced staff at the dam and they have been able to foster a real sense of co-operation amongst the water users. The willingness of the water users could be harnessed to reduce some costs e.g.

- * reading of meters
- * assessing stream flows
- * water trading - This would require a register of people that had water available to trade and were prepared to do so.

However, we believe there is probably little significant cost saving to be achieved in this area.

DISCUSSION

The principles espoused in our submissions are, we believe, still quite sound. However, they are unlikely to have any really significant affect on the desire for full cost recovery.

We consider that the businesses that utilize the Toonumbar water play a major role in the local communities by means of the people employed and the supplies and services required. Hence, a strategy that allows these businesses to prosper has merit in maintaining the health of the Kyogle and Casino townships in particular.

We concur with the opinion of the Centre for International Economics in *Implications of Water Reforms for the National Economy*. They state that “In isolation the increased water charges have had little impact on the economy as a whole but have seen a net transfer of wealth from irrigators to irrigation providers of \$114 million a year”.

If one analyses the Toonumbar system as a business, it is top heavy weighed down by fixed and variable costs well out of balance with the income. One can attempt to keep adjusting the existing system but we believe this will not achieve a satisfactory solution for either the water providers or water users.

The Toonumbar system is still supplying the same amount of water with the same services that were available when the dam was commissioned in 1974. It is a classical case of a business which has the assets, knowledge and experience but has failed to realize that the market and environment has changed. The only solution which has been considered is to increase prices to the customer and cut costs.

Any other business faced with the same economic conundrum needs to address the scale of its operation. This is why farms are now milking 200 -300 cows whilst previously they were milking 100.

The opportunity to expand and sell more water:

We believe that it may be feasible to market an increased amount of water to a community that is increasing in size. This would require raising the height of the dam wall. Work done by Rous County Council suggested raising the wall was a practical solution. One alternative was to increase the wall height by 10 metres and this would create a storage depth of 37 meters at the dam wall and allow another 127ha to be inundated.

* The long range weather forecasts are for increased temperatures with increased variability in periods of wet and dry.

* The North coast is an area with a rapidly expanding population base and this will in turn require an increased availability of good quality water.

* Toonumbar Dam is regarded as appropriate to increase the storage capacity both structurally and environmentally.

* Under the current economic climate it is unrealistic to nominate a desired rate of return on assets with a passive marketing policy. In our previous submission, we stated that over the past eighteen years there has been no real attempt to market the suitability of the area as an area of reliable water and suitable agronomic features. Now we would like to reiterate this point but extend the time frame to 24 years.

* If increased sales of water could be achieved, this would have the effect of diluting the capital and fixed costs associated with the dam. We do not believe that the wages and variable costs associated with this change would alter markedly.

* This proposal would require careful research and marketing but we consider Toonumbar Dam is an asset which can provide support to the communities, local agriculture and yet be of benefit to the appropriate water supply authority. It may be feasible to provide some cost subsidization from some of the western storage systems which are achieving revenue returns in excess of cost recovery.

* We do not believe that decommissioning the dam is an appropriate option. There certainly will be significant hardship and legal challenge should this policy be followed. We believe that this is a very short sighted approach and once the asset is gone the damage is done. The loss of facilities and infrastructure is a very real issue in our local communities.

The Toonumbar Water Users Association is appreciative of the opportunity to assist in the review process. We would be keen to participate in any further discussions.

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