

The coordinating committee of The Namoi Valley Water Users' Association Inc.

**Representing Licensed Pumpers and Riparian Occupiers of the Namoi
River**

PO BOX 548 * Narrabri NSW 2390

Telephone: 0267 925222 * Facsimile: 0267 925225

Executive President

Jeremy Killen

Secretary

Jeffrey Carolan

Review of Bulk Water Pricing Submission for 2005 Round

Overview

We, the Coordinating Committee of the Namoi Valley Water Users Associations Inc, concur with the comments and recommendations made by the NSWIC in their submission to this pricing round 2005. We present the following comments in addition to those of the NSWIC with particular reference to the licensed, extractive Regulated Users of the Namoi Valley.

Given the nature of this round in that we are replying to 2 separate submissions, by State Water and DIPNR, that will make up one total water price for licensed extractive use, we felt it pertinent to provide our comments within one document. Particularly as the socioeconomic impact can only be reviewed as a total not as separate equations.

The devolution of responsibility from DIPNR, previously referred to as DLWC, to both State Water, a stand alone corporation, DEUS, DPI and other agencies requires that consideration in the first instance be given to what role DIPNR and State Water have in the water world.

Secondly, it must be determined whether the role/responsibility within the water world is impacted by the extractive water user, such that a user share may be apportioned.

Thirdly, though made awkward due to a lack of transparency in previous rounds and limited guidance within the current DIPNR submission, it must be determined whether dual accounting is occurring. This also considers the efficiency achieved since last round, and whether they have had the desired outcome.

Fourthly, further determination must then be made in relation to the need for such hefty increases in expenditure and recovery of said expenditure. Whether in fact some of the expenditure has been recovered in previous rounds and in such instance the funds should be remain available, as they should have been held over for works to be conducted.

Due to the lack of information provided by agency the following submission is by no means definitive.

We apologise for the one day delay in getting our submission to you, however, we were presented with new information within the final days of the submission period and had hoped to disseminate it to further comment. However, lack of time and inability to clarify all points has meant this was not possible. This reflects the entire process for this round of pricing as the agencies have presented portions of information in dribs and drabs leading to inefficiencies at every pass.

We thank IPART for its time and effort in processing this round of submissions and await a transparent and equitable outcome.

PART 1: Establishing the Role of Agency and SOC in Water Delivery and Management

Water Resource Management

Information Management

There is no doubt that the board and chair of the board of State Water would have the clearest ideas of the direction, roles and responsibilities of State Water – with this, and the chairman’s report presented in the State Water Annual Report 2003-04, “*We plan to build on the already outstanding operational strengths, so that State Water excels in water operations, asset management and information management.*” the necessity of attributing any information management to the DIPNR Water Resource Management water user share must be questioned.

Data Collection –

This is a State Water operational role as supported by statements in both submissions.

State Water attributable charge

No DIPNR attributable Water Resource Management charge

Data Collation –

State Water collates the information as it is collected in order to determine water usage, and efficient share of resource. There is no involvement by DIPNR in this role.

State Water attributable charge

NO DIPNR attributable Water Resource Management charge

Database Management –

As the database management is an operational activity it is a State Water attributable charge. Licensing still rests with DIPNR however, permanent transfer costing is discussed later in this submission. Where, State Water retrieves information from DIPNR on permanent transfer the recovery of cost for DIPNR purposes comes directly from State Water and forms part of their SLA. State Water then must recover the portion of this cost attributable to water users through the State Water water charge.

State Water attributable charge.

NO DIPNR attributable Water Resource Management charge.

Data(Information) Collation and Presentation

State Water Generated Reports/Presentation

As Strategy 2 of Key Result Area 1 for State Water performance measures we agree that State Water has met its responsibility to regulated water users as best it can. We concur with the statement:

“Poor communication between State Water & DIPNR, delays in decision making and confusion of roles Resulted in inefficiencies in water delivery.”¹

In our experience the delays/non-supply of information or inability to attend meetings were all with DIPNR.

State Water attributable water charge

No DIPNR Water Resource Management charge

DIPNR Generated Reports/Presentations

Reports which are generated by or a responsibility of DIPNR are not required (impacted) by the extractive water user, they are required whether or not extraction occurs. They are requested by other agency or non-extractive water users. As such they are not transparently or equitably attributable to extractive water user share of Water Resource Management charge.

NO DIPNR Water Resource Management charge.

¹ State Water Annual Report 2003-04 page 5

ASSET MANAGEMENT

Asset Maintenance

TAMP Assets with Water Delivery Function

The assets outlined in previous submissions as having a water delivery function have been transferred to State Water's asset portfolio as they relate to day-to-day operations. Therefore, their maintenance is the responsibility of State Water.

State Water attributable water charge.

NO DIPNR Water Resource Management charge attributable.

TAMP Assets Water Quality Function

Within the Namoi there are no assets utilized for water quality monitoring which aren't already utilized for State Water delivery operations, thus their maintenance rests with State Water. The relay of information produced by these assets forms part of the SLA and State Water must recover some portion of the cost of these assets from DIPNR.

State Water Attributable water charge

NO DIPNR Water Resource Management charge attributable

DIPNR Assets

The remaining assets which, are part of DIPNRs asset portfolio can be divided into 3 parts:

i) The office assets such as office equipment, office space, motor vehicles and staff: All of these are utilized for all DIPNR activities not just Water Resource Management thus an equitable cost must be derived for these assets.

Partially attributable DIPNR Water Resource Management charge

ii) Assets used for tendered works: these include earthmoving equipment which was previously used for dam works etcetera, as works are now done on a tender process these costs can not be charged directly to the water user, by DIPNR. If DIPNR is a successful tender it will be recovered through a SLA and State Water will then pass on the cost through its TAMP. As there is no guarantee of DIPNR being a successful tender it may provide the perfect opportunity for DIPNR to dispose of these assets and focus on its core responsibilities of Natural Resource Management.

NO DIPNR Water Resource Management attributable

iii) Recreational Assets: Assets such as the camping grounds at headwall dams and other recreational sites, we believe now fall into DIPNRs portfolio, as these are not impacted by the extractive water user they can not be costed to the water user. They however can be recovered through a user pays system or a government CSO.

NO DIPNR Water Resource Management attributable.

Hydropower Stations

This has been listed as a State Water responsibility and as such revenue must be retrieved through State Water. It is not however a water user cost.

NO State Water or DIPNR Water Resource Management charge attributable.

WATER DELIVERY

This forms Key Result Area 2 of State Water operations as DIPNR has no role in water delivery for any water source there is no cost recovery to be made by DIPNR.

State Water water user charge attributable

NO DIPNR Water Resource Management attributable.

PART 2: WATER USER SHARE OF ATTRIBUTABLE WATER RESOURCE MANAGEMENT CHARGES

The share of distributed water for 2003-04² attributable to the extractive water user is 21%, long term average use figures coupled with long term average rainfall(water generated) suggest average utilization of 24%. With these 2 figures in mind the maximum impact an extractive water user has on water resource management is 24%. The upper limit of purely water resource management costs should then be 24% not the 50% or 90% ratio proposed by DIPNR.

In considering Water Resource Management it is necessary to determine whether the resource management area being accounted for is in fact a function of (impacted by) water resource management. Many areas are in fact a direct impact of land management as opposed to water use management, as licensed extractive water use equates to less than 3% of the catchment area, a maximum of 3% can be attributed to Water Resource Management charges in these instances.

² State Water Annual Report 2003-04

Table 1: APPLICATION OF AFOREMENTIONED METHODOLOGY TO SUBPRODUCTS AS OUTLINED BY DIPNR AND STATE WATER

Sub product Code	Sub product Designation	Description	Water User Share
PA1	Surface Water Database		
PA100	Surface Water Quantity Data Collection and Archiving	<ul style="list-style-type: none"> The collection of individual use figures, in order to collate valley use figures is a function of SW not DIPNR. The assets mentioned are vested in SW and costs associated are recouped through the SW TAMP – thus (for DIPNR) to recover any costs from water users under this code would be inappropriate and would form a subsidy to unidentifiable impactors and beneficiaries. 	100%
PA110	Surface Water Quantity Data Management	<ul style="list-style-type: none"> Quality assurance rests with the collector of the data – SW. Customer plans are a SW function <p>Thus there should be no WRM cost for the sub product</p>	100%
PA120	Surface Water Quality Data Collection and Archiving	<ul style="list-style-type: none"> part of SAL with SW thus is a part of the SAL minimal impact by extractive water user, less than 3% of catchment utilises extracted water 	3%
PA130	Surface water Quality Data management	Double up of function PA110 – should not be in a transparent and efficient cost system	0%
PA200	Groundwater Quantity Data Collection	Not regulated user charge	0%
PA210	Groundwater Quantity Data Management	Not regulated user charge	0%
PA220	Groundwater Quality	Not regulated user charge	0%

	Data Collection		
PA230	Groundwater Quality Data Management	Not regulated user charge	0%
PA3	Other Water Databases		
PA300	GIS Data Management		3%
PA310	HYDSYS Data Management		3%
PA320	Water Health Data Collection	River corridor and wetland impactor principle should be no greater than 50:50 as the main impact on health of river is catchment land use which irrigation represents less than 3%.	3%
PA330	Water Health Data Management	As above	3%
PA4		Water Information products	
PA400	Water info advice/ reports/ products	The impactor for these products is the government and other readily identified end users, thus should not be costed in WRM.	0%
PB1		Surface Water Allocation Strategies	
PB100	Surface Water Interstate Policy	Not a Namoi cost	0%
PB110	Surface Water State Policy/Standards	This is a CSO as it reflects the desires and needs of the community rather than that of industry	0%
PB120	Surface Water Unregulated Allocation Plans	Once again this reflects the desires and needs of the community rather than that of industry.	0%
PB130	Surface Water Regulated Allocation Plans	This is in place for 10 years for the Namoi as the WSP was completed and gazetted last year. Any changes made in the interim are the jurisdiction of CMA's and DEUS not DIPNR. Thus no water user costs are attributable.	0%
PB2		Surface Water Licences	
PB230	Surface Water License Surveillance	The monitoring of licence use is conducted by State Water. Prosecution is a user retrieval basis, costs are recovered on prosecution.	100% (State Water charge) 0%
PB3		Groundwater Allocation	

		Strategies	
PB300	Groundwater Policy/Standards	Not regulated user share	0%
PB310	Groundwater Specific Allocation plans	Not regulated user share	0%
PB4		Groundwater Licences	
PB430	Groundwater Licence Surveillance	Not regulated user share	0%
PC2		Rural Water Operations	
PC230	Unregulated River Metering and Billing	Not regulated user share This is conducted by State Water as part of SLA, this cost must then be passed on transparently to the unregulated user	0% 100%
PC250	Groundwater Metering & Billing	Not regulated user share This is conducted by State Water as part of SLA, this cost must then be passed on transparently to the groundwater user	0% 100%
PC3		Flood Operations	
PC340	Salinity Mitigation	As no description available there must be no need for funds as a code which can not be defined must not be necessary.	0%
PD1		River Quality/Flow Reforms: Due to the fact that the Namoi WSP is now in place for 10 years and any changes to the gazetted plan will be managed by CMA or DEUS this sub product coding no longer refers to a DIPNR cost recovery unit.	
PD100	River Quality/Flows Reforms Policy		0%
PD110	River health and water quality plans	The ongoing research into this area is a CSO as it is for environmental benefit. Application of the aforementioned ratios would indicate that as the major impact on river health and water quality is land management practice only 3% is attributable to water management, of the water “managed” in the Namoi at most 24% is attributed to extraction. Thus only 0.072% is	0%

		attributable to water users. As this is not a DIPNR cost unit and funds for research are provided through NHT and other avenues there is no DIPNR Water Resource Management attributable.	
PD120	Environmental Flow Plans	This is in place for 10 years for the Namoi as the WSP was completed and gazetted last year. Any changes made in the interim are the jurisdiction of CMA's and DEUS not DIPNR. Thus no water user costs are attributable.	0%
PD130	River Quality/Flow Reforms Advice	This is a CSO as the major impactor is in fact other government agency and immediately identifiable organisations requesting the information. Best recovered through a SLA and user pays process.	0%
PD140	Fishways	Entirely a CSO – has been costed into previous submissions with no action taken in many cases. This is in fact a State Water unit share area as it relates to the weirs operated for delivery purposes.	0%
PD2		Blue Green Algae Strategies	
PD200	Blue Green Algae Policy	This is a requirement of (impacted by) the community not water users. Research shows that blue green algae is impacted more by land management practice than water management issues thus at most a 0.072% share is attributable.	0.072%
PD210	Blue Green Algae Nutrient Control Plan	This is a requirement of (impacted by) the community not water users. Research shows that blue green algae is impacted more by land management practice than water management issues thus at most a 0.072% share is attributable.	0.072%
PD220	Blue Green Algae Contingency Plan	This is a requirement of (impacted by) the community	0.072%

		not water users. Research shows that blue green algae is impacted more by land management practice than water management issues thus at most a 0.072% share is attributable.	
PD230	Blue Green Algae Education and Awareness	This is a requirement of (impacted by) the community not water users. Research shows that blue green algae is impacted more by land management practice than water management issues thus at most a 0.072% share is attributable.	0.072%
PD3		River Salinity Strategies The definition provided determines that this is not a Namoi cost centre thus no water user share is attributable for any of the sub products	0%
PD300	River Salinity Policy		0%
PD310	River Salinity Regional Plans		0%
PD320	River Salt Interception Schemes		0%
PD4		Bacterial, Chemical and Other Regional Plans	
PD410	Bacterial Chemical and Other Regional Plans	As these plans are not directly impacted by water use but rather by land management practices this is not a water user attributable cost. These plans provide for the benefit of community not licensed extractive user. These plans are provided by EPA not DIPNR so this is not a DIPNR Cost unit.	0%
PD5		Groundwater Management Strategies As this product and its sub products relate to groundwater there is no apportionment to licensed regulated water user.	0%
PD500	Groundwater policy		0%
PD510	Groundwater Regional Plans		0%
PD520	Groundwater Advice		0%
PD6		Wetland Strategies: As there	0%

		are no naturally occurring wetlands in the regulated Namoi there can be no apportionment of cost to the regulated water user	
PD600	Wetland Policy		0%
PD610	Wetland Regional Plans		0%
PD620	Wetland Advice		
PD7		Water Industry Strategies: contrary to the title this refers to the operation of DIPNR not the provision of benefit for the extractive water industry thus must be reviewed as such. These items are impacted by both extractive users, non-extractive users, licensed users and non-licensed users and shares must be apportioned appropriately. As the upper limit of average extraction is 24% costs attributable can be no more than 24%	24%
PD700	Water Industry Policy		24%
PD720	Other Water Industry Reforms		24%

That there is no individual attribution to sub product for scrutiny leads to concerns with transparency and equitable cost sharing of the Bulk Water Costs as presented in Appendix 3 of DIPNRs submission.

Water User Costs

2004 vs. Estimated Projected Costs

<i>Table 2: State Water and DIPNR Estimated Water User Revenue and Attributable Costs, Regulated users, based on 60% security of supply</i>	2006
Estimated State Water Operating Costs	2,534,318.80
Estimate DIPNR Operating Costs	8,476.80
Revenue required for operating costs	2,542,795.60
Estimated revenue based on 60% security of supply	
State Water	2,933,155.96
DIPNR	978,505.27
	3,911,661.24
Surplus of Revenue	1,368,865.64
Capital Costs attributable to water user	2,485,050.00
Surplus/(Deficit) of funds	-1,116,184.36

When considering the above deficit of funds after capital expenses we must note that some of the projects listed in this submission have already been costed in previous submissions and as such the water user has already paid for these works. If these funds were not transferred to State Water or were utilised for other capital works then credits must be given for this. Also as this is revenue at only 60% security, that is 60% of account delivered, there is a possibility, with rain in the catchment, that there will be additional income. Also, the revenue from the following cost centres is not accounted for as we do not have estimates available: licensing, supplementary extraction and temporary transfers. However these items have estimated costs attributed in the State Water and DIPNR budgets.

PART 3: SOCIO ECONOMIC IMPACTS

The socio economic impacts assessed by DIPNR rely on the flawed study conducted by Dept of Agriculture involving Gross Margin analysis. This does not allow for the impact the increase in entitlement charge ahs on the farming entity. In previous rounds we have presented arguments as to the impact on individual farms as a result of the total price increase. These may be referred to, in this submission we seek to put a value on the community impact through loss of employment within the catchment.

Why loss of employment: given an increase in CPI of 2%, as touted by the DIPNR submission, we can assume the inputs to farm enterprise have increased by a minimum of 2% in the period, commodity price is down considerably – leading to a decrease in operating surplus available to enterprises. To compensate for this many enterprises will decrease their staffing numbers. Given a total of 194 irrigated cotton farms in the Namoi Valley, with only 120 growing cotton this season due to the aforementioned issues as well as others, the reduction in staffing numbers for

individual farms may equate to 4.66 persons in 2006, the multiplier (according to AFFA) for number of jobs created from 1 job in agriculture, elsewhere in the economy is between 6 and 8. Using the multiplier of 6, the loss of jobs within the Namoi catchment in 2006 could be 559.57 persons. Over the period of the price round the estimated increase in unemployment for the Namoi Catchment, in cotton alone, is 1,762.71 persons, or the entire employment within agriculture in the 1996 Census for Narrabri Shire. Can we afford this?

We must also consider the social impacts of increased unemployment on this catchment – rhetoric suggests social impacts include increased alcoholism, petty crime, reliance on mental health facilities, the list goes on.

Given the assumption that cotton is the higher value commodity for the valley the impact on the Peel Valley and its lucerne farmers would be more devastating.

PART 4: UNREGULATED WATER USERS

In the past 4 years the fees paid by unregulated licence holders have increased as outlined in Table 3. How is it possible for DIPNR to increase its charges in such a manner when there has been no service provided. The figures are based entirely on an existing license which has had no extraction over the period and has not had any service from DIPNR either. What are they recovering costs for?

<i>Account Date</i>	<i>Increase in Account Rendered (%) from bill to bill</i>
October 2001 (base year)	0
September 2002	15%
September 2003	29%
February 2005	24%
Total increase in account in 4 years	84%

There are no distinctions in sub products to allow for ready determination of transparent costs for unregulated water users. They are merely lumped in with the regulated user as surface water. There must be distinction in order to better determine the true cost of “service” provided.