

10 June 2005

Mr James Cox
Chief Executive Officer
IPART
PO Box Q290
QVB Post Office 1230

Dear Mr Cox,

Re: State Water's Supplementary Submission

The Conservation Groups would like to register our strong opposition to some of the changes to the user share for costs incurred by State Water in delivering particular services in their supplementary submission. Our concerns lie with changes outlined in Table 3 of the State Water Supplementary Submission, particularly under headings 2, 3 and 6 (pages 16 and 18).

These proposed changes will result in users bearing a smaller share of the costs associated with delivering water to the environment and for stock and domestic users. The Conservation Groups have no concerns with stock and domestic users paying their share of water delivery and other costs so long as they can be justified with regards to their impact on total costs for those particular operations.

However, the impacts of the proposed changes on government environment spending are of great concern. What State Water is proposing is that the government should pay the environment and community's share for the:

- planning of water operations (20%);
- river operations (20%);
- environmental planning and assessment (50%);
- fish passage operation and maintenance (50%);

- dam safety compliance (10%);
- preventative maintenance (10%);
- corrective maintenance and plant and equipment operation and maintenance costs (10%).

State Water submits only cursory justification for these changes, the apparent argument being that State Water delivers environmental flows (as it has for several years now) and as a 'user' the environment should pay a share of the cost.

Characterising the environment as a 'water user' turns logic on its head. Just as the rivers of NSW are delivered environmental flows through State Water infrastructure these same rivers just a few kilometres upstream provide all the water that State Water delivers - for free. State Water cannot take water from the environment with one hand and try and sell it back to the environment with the other.

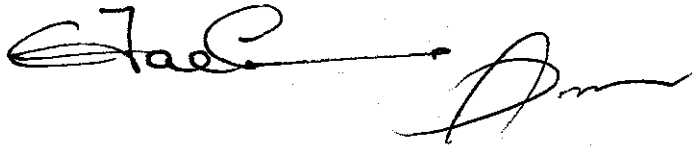
The costs State Water proposes to pass on to the public are significant. For example, the user share of river operations is proposed to decline from 100% to 80%, which will cost the public over \$800,000 under 2006 forecasts. User share of preventive maintenance and dam safety O&M is proposed to fall from 100% to 90%, saddling the public with over \$1.5 million in costs under 2006 forecasts. In total the public is being asked to assume more than \$2 million in costs annually.

The community should not be asked to bear the costs of operations, compliance and maintenance activities State Water characterises as 'attributable to the environment.' The simple fact is that State Water would have no costs 'attributable to the environment' without the need of consumptive water users for the infrastructure. Put another way, in the absence of State Water infrastructure constructed for the benefit of consumptive users, the environment would be quite capable of delivering its own flows.

As discussed in our main submission, the Tribunal in its deliberations has accepted the "line in the sand" principle, that users should not bear the costs of pre-1997 water infrastructure. Forgiveness of this "legacy cost" has provided irrigators a significant financial benefit, providing them services of assets valued at over \$2 billion at no cost. However, this principle also included the stipulation that current and future costs be allocated using the impactor pays principle, which allocates costs to users based on the contribution each user makes in creating the costs or the need to incur the cost. It is clear that the need to incur any costs for restoring river flows is due solely to extraction of the water in the first place and no costs of operating or maintenance of infrastructure for used for impoundment or extraction of water should be paid for by the community.

For these reasons we recommend that the Tribunal reject the changes proposed by State Water for cost sharing.

Yours sincerely,

Handwritten signatures of three individuals: Cate Faehrmann, Tony Trujillo, and Brendan Fletcher. The signatures are written in black ink and are positioned above their respective printed names.

Cate Faehrmann

Tony Trujillo

Brendan Fletcher

