

BEGA VALLEY WATER USERS ASSOC. (INC.)

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FAXED
18.11.05



The Chairman
Independent Pricing & Regulatory Tribunal (IPART)
Bulk Water Review
PO Box Q 290
QUEEN VICTORIA POST OFFICE NSW 1230

Re: Proposed price increases for water on the Brogo River and unregulated stream in the Bega Valley by the State Water Corporation (SWC)

Introduction.

In light of the of the unconstrained pricing method adopted by the State Water Corporation (SWC) we as Brogo River Irrigators on the South Coast of NSW totally reject the full cost recovery of dam operation and water supply for the years 2006-07 and beyond.

The problem with this approach is the irrigators have no one to pass such a large price increase on to as we are price takers not price makers.

The disparity in pricing between the different regulated river valleys in the state is a concern especially for those of us on the coastal rivers, as the cost of running these dams is much larger due to the smaller capacity dams and fewer irrigators.

We feel that the SWC instead of becoming a more efficient organisation has just sort to transfer the existing costs onto the users. The SWC has not demonstrated any cost savings as a result of their increasing capital expenditure and use of technology.

A further concern is the lack of transparency between the charges imposed by the SWC and the Department of Natural Recourses (DNR). We are concerned that there may be double dipping or charges for the same service by both organisations. It also concerns us that there are two organisations administering water when one may do the job more efficiently.

On reading the DNR submission to IPART it is unclear as to their level of charging to irrigators after this year 2005-06. DNR on page 29 paragraph 3 of their submission suggest that Water Recourse Management (WRM) costs on the North and South Coasts may be "of the order of \$16 to \$21 per ML", real concern if they expect to pass those costs directly on to the irrigators on the North and South Coast.

We are also concerned as there is a lack of transparency as to who is paying the cost for environmental flows, environmental management and public access facilities. Are these costs being shared equitably between the government and irrigators? More to the point should irrigators be paying for these things at all?

There is also absolutely no recognition of the fact that the negative social and economic consequences of this policy will far outweigh the revenue gained.

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The issues concerning Brogo River irrigators.

1. The proposed increase between 700% and 800% will have more than just a significant effect on all users of water on the Brogo River. We believe it could have a devastating effect on all dairy farmers some of whom rely heavily on water allocations to maintain herds of dairy cattle. Increases in the order of tens of thousands of dollars with some potentially paying in excess of \$100,000.00 would make their farming operations completely unviable where they are now successful operations.
2. These proposed increased costs are being brought in hard on the heels of the worst three years of drought in the recorded white history of the Bega Valley. These imposts are extremely demoralising for farmers trying hard to recover from this drought period.
3. Extra costs such as these have ramifications across the whole of the Bega Valley community. If these costs are imposed on the Brogo irrigators we believe that most of the dairy farmers would either scale down their operations or close their operations depending on their levels of debt and despair.
4. The result of this is that Bega Cheese Co-operative would have less milk flowing through its cheese plant causing it to become less viable. In turn this would lower the ability for Bega Co-op to pay a price for milk that enables all the dairy farmers in the Bega Valley to operate at a viable level which in turn will cause a downward spiral in price and in turn production, and possibly the demise of the industry in this region

70% of supply for Bega Cheese from Bega Valley farmers comes off irrigated farms and over 90% of irrigation in the Bega Valley is on dairy farms.

5. As Bega Cheese is the largest single employer in the Bega Valley with around 500 employees. This price increase for water will have far reaching effects in the Bega Valley for both employment and the money generated directly and indirectly that is injected into the community.

The issues concerning unregulated stream irrigation.

The issues are in principal the same as the Brogo River. The increases are more modest, however these farms tend to have a more marginal viability due to the lower reliability of irrigation water and are particularly vulnerable to any cost increases.

It is also important to note that no recognition is given to the fact that the irrigators on that Bemboka River pay the Electricity Authority to store water in the Cochrane dam for them and these releases provide the environmental flows in the Bemboka River in dry times.

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State Water Corporation comment on increased pricing.

The SWC (page 134 paragraph 5) in their submission recognise there is a problem with the capacity of water users to absorb full cost recovery.

Yet their main suggestion is to ramp up the costs over five years which is still unacceptable as the price of milk is not likely to rise to farmers and therefore do nothing to cover the price increase of water.

What are the solutions?

1. We call for a complete audit on the SWC and DNR operation to determine if there are cost savings to be made and also determine if they are duplicating roles. Also we need to see if they are further duplicating the role of the Catchment Management Authority.
2. The NSW Government, the SWC along with the DNR need to recognise the socio-economic consequences of full cost recovery of State Waters operation.
3. Any price rises necessary need to be linked to CPI and price increases limited to what the user can afford. We should not be subjected to unconstrained pricing.

In Conclusion.

Brogo River dairy farmers contribute large amounts of milk to Bega Cheese (around 52%) and are very important to Bega Coop as a whole, both irrigation and dry land farmers.

Any price rise of the order proposed will have far reaching effects on the economy of the Bega Valley as it will not only affect irrigators but also the wider community.

We ask that the members of IPART carefully consider all the above arguments and those presented by Bega Cheese in their submission.

Yours faithfully

Frank Foster
President
Bega Valley Water Users Assoc. (Inc.)