

# DARLING RIVER



## FOOD & FIBRE

15 November 2005

Mr James Cox  
Chief Executive Officer  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB POST OFFICE NSW 1230

Dear Mr Cox,

### **Submission to the IPART Review of Bulk Water Prices from July 2006**

This letter comprises the submission of Darling River Food and Fibre (DRFF) to the IPART Review of Bulk Water Prices from 2006/07. DRFF is a voluntary association of farmers, business & local government on the Darling River who, among other objectives, seek to promote job growth and prosperity in our region through sustainable farming and wise use of natural resources.

Our submission relates only to the unregulated section of the Barwon-Darling River, with particular reference to the Department of Natural Resources (DNR) submission of February 2005 for the Far West Region, however many of the issues discussed are generally applicable to all other rivers in NSW.

DRFF understand that the DNR submission to IPART has been compiled by independent and credible consultants, Allen Consulting Group and Danuconsult Ltd. and appears to have been developed through considerable audit of the Department's capital and operational expenses and potential changes to these costs in the future. Lacking, however, is an appropriate breakdown of the individual items which make up the future water resource management costs. While there may be satisfactory reasons for the predicted increase in WRM costs, very little has been offered in their submission by way of explanation.

*Industry requires a projected expense budget that details WRM costs by specific activity and the dollars assigned to each.*

DRFF support water pricing being set at levels to recover DNR costs which contribute to private benefit as a result of water use, but deplore the DNR's attempt to recover costs that result in community or environmental benefits, or from changes in communities' and people's environmental expectations. In all of DNR's operations, there are varying degrees of public versus private benefit. DNR recognised this and attempted to set cost shares between various types of water users. While DNR principles for cost recovery appear reasonable, in practice the setting of these cost shares is somewhat arbitrary and probably not very defensible.

*Industry requires that cost share determinations be made transparent and auditable.*

Despite attempts to address cost sharing issues, the irrigation industry still suspects DNR to be using their commitments under the National Water Initiative to push up water charges beyond that which is fair and reasonable for water users. That is, without adequate detail, there is no way of knowing that WRM costs that should accrue to community or the environment are not being passed onto water users.

Of considerable concern to the irrigation industry is that the current NSW Government appear to be ever-increasing the "red tape" within which industry must operate in relation to water use. Most of the costs associated with this increased level of regulation and associated staffing costs are generally passed onto water users, often under an umbrella of increased commitments with respect to Commonwealth legislation, such as the National Water Initiative. The true beneficiaries of many of these policies are the environment and community groups, particularly where irrigator access to water is reduced or denied. Yet, in many cases, irrigators are considered to be the sole 'users' of this water and hence are expected to cover all of the costs. This is unfair and should not be allowed to occur.

*DNR should be requested to demonstrate, in adequate detail, their commitment to cost minimisation and fair cost sharing arrangements, and water pricing be set to reflect this commitment.*

The NSW Government need to be conscious of the implications of allowing water prices to increase to such an extent that irrigation of any type becomes unviable. While environmental groups would be delighted by such an outcome, the economic and social costs would far outweigh any environmental benefit. Balance between environmental, economic and social outcomes is desirable to retain a productive and sustainable future in country NSW.

We trust that IPART will scrutinise closely the submissions of DNR and SWC to promote fairness in rural water pricing by demanding full accountability by these entities. Further, IPART should consider the true components of Government responsibility and encourage DNR and SWC to resist cash-grabbing at water users' expense.

Yours sincerely



David Cordina  
Executive Officer