

To the commissioners,

This submission is a personal submission. It has similarities of concern as the Toonumbar Water Users Association but is independent of that submission. I am also a dairyfarmer.

#### History

The construction of the dam was a political decision and to my knowledge without any real industry request or support.

The location of the dam and the development of industries to utilise the resource has not been promoted by the State water authorities.

Those of us, who on our own initiative, have developed irrigation based industries have been encouraged to do so by the State govt. agriculture department, industry and government economic policy.

We have been encouraged to expand and invest in low cost production systems with secure resources.

#### Price

The costs that State Water impose upon us irrigators, determines the price we have to pay. As an irrigator, I reject most of those costs. They are costs that are imposed upon us to satisfy the needs of others. All I need is a pump to extract water. Most of the other costs are State costs, because the only benefits that I receive are associated with the delivery of water and the maintenance of the dam.

#### Charges

I believe that the water charges should be no higher than the price being charged to irrigators on regulated systems within NSW that achieve full cost recovery through proper water usage for agricultural industries.

I propose this position because of the COAG agreement and the competition policies. If there is little demand or oversupply of a product then the price should be coming down for the consumer.

#### Collusion between bodies

I and many others in this region are of the opinion that the State no longer wants the ownership of Toonumbar Dam and would like to transfer the ownership to a regional urban water supply body.

At present this is politically difficult because the dam is gazetted for agricultural use and it is now fully allocated to irrigators. However if the cost of water allocation and usage, were higher than present, it is probable that all licences would be surrendered. This would then allow the Government to justifiably change the gazetting of usage for Toonumbar dam water. There would be no need for compensation payments to be made to irrigators and the regional water supply body would have another water storage system without causing any political embarrassment over the construction of another dam.

If I was a cold economic rationalist within state treasury, I would probably like this scenario. But, we the irrigators, are real people with passion and love for our efforts and industries and I feel most strongly that we should not be made wither on the vine until dry and dead.

#### Clear determination

As a farmer I am becoming very confused and frustrated. I am being forced to become internationally competitive with the pricing of my goods but I have very little influence in the determination of that price. ( please refer to appendix ) I am being overloaded with ever increasing regulation and regulated cost which are not subjected to any international comparison.

I am being offered money by the government to become more efficient, to be more careful with the environment, to manage drought better. Yet the same government is proposing to increase my costs to a level that makes my business, not only unprofitable, but prevents me from achieving any of the outcomes the government is wanting me to achieve.

If I am unprofitable it will also mean that my business is unviable and therefore deminishes the value of my assets.

I need this commission to give me a very clear determination.

If the State is justified in making me unviable well then agree with State Water submission and make your recommendations very clear.

If I as an irrigator, has a justifiable argument, then give a recommendation that allows me to be viable and not for just this year. Investment in agriculture is all long term with the full benefit of an investment often not achieved within 5 - 10 years

#### Future

If the water charges increase above the current levels, then this will impact upon my viability. The profit margins that I am operating on at the moment are small with no likely improvement in the next 3 - 5 years.

Dairying is still one of the better performing agricultural industries in this region, so if increased water charges make my business unviable, there is little to no opportunity for me to sell my allocation to someone else.

Please give a very clear recommendation to this hearing, so that I and others can make decisions.

Yours Sincerely,

Gordon Bebb

**Kapustin, Edwina**

Appendix 1

**From:** Hollindale, Ian  
**Sent:** Wednesday, 16 November 2005 12:01  
**To:** 'gordon.bebb@bigpond.com.au'  
**Subject:** Deregulation

Dear Sir

You requested some background to the pricing process during Deregulation.

Experience throughout the World indicates that since Deregulation Retailers have exercised and influenced market power which they didn't previously. Within the UK there is well documented evidence to indicate that after 10 years of Deregulation Retailers have increased their margin threefold, and producers at the same time have remained at the same level of return in pence per litre as it was 10 years ago, which indicates that at least they have fallen behind by nothing less than the Consumer Price Index, and perhaps where costs such as fuel have increased in excess of that then they are even further behind.

A similar experience has begun within Australia, only 5 years since Deregulation and with the present structure in the market place with only two major retailers, and perhaps a third emerging who is struggling for market share. It is likely those same trends will continue.

At present the Woolworths contract which is let on a Nationwide basis, has two more years until it expires, and other tenders with majors such as Coles, Metcash and State and Federal Government tenders are normally for 1 or 2 years at a fixed price, or at very best an agreement to review according to "Industry" movements.

There is a long time frame and delay between when Producers incur additional costs and when those costs might be reflected from the market place. The costs incurred by Processors has a high priority, and the Retailers desire to drive every possible cost from the supply chain and benefit from that is well documented here in Australia.

Dairy Australia is attempting to establish well accepted and credentialed costings through ABARE, QDAS, or Treasury, so that they have a credibility within the market place, but at present that exercise has not been completed, and therefore it is difficult to establish the precise cost movements and have them verified and then have them accepted by all parties within that supply chain.

Amalal have indicated they will negotiate up to 5% increase on Farm Gate price as from 1<sup>st</sup> January 2006. Those negotiations with Premium are continuing and there seems there could be a very small improvement on that 5%, with perhaps some undertakings associated with any possible outcomes from the market place in the year 2006. However, it is unlikely there will be a substantial increase, unless the market place changes philosophically in the short term.

Yours

Ian Hollindale