

Friday 18th November 2005

Mr Jim Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
Level 2, 44 Market St
SYDNEY NSW 2000
Fax: 02 9290 2061
Email: ipart@ipart.nsw.gov.au

Dear Mr Cox,

Re: Macquarie Valley Water Price Increases

Greenhide Joint Water Supply Scheme is a water users in the Macquarie Valley with six member entitlements having an allocation of 7840ML. We write to emphasise several issues in addition to those raised by our peak body, Macquarie River Food & Fibre:

1. **Cost sharing arrangements:** Our entire irrigation industry uses only 26% of the flows in the Macquarie, yet we are being charged 100% of the 'user share' of costs. Irrigation schemes such as ours are charged for all the water delivered, including losses, yet other users such as environment and stock and domestic incur massive losses and storage costs at what is being suggested should be a cost to us. In addition, we have had our priority access status reduced with the recent Water Sharing Plan and Act in favour of other users, and we have only one seat on the Macquarie Customer Service Committee, the same as other users; yet we are the only type of user that is being asked to pay. This is inequitable and against the principles of cost sharing outlined in the 1994 CoAG Agreement.
2. **Treasury taking a 7% Return on Investment:** We strongly believe that the Macquarie's bulk water infrastructure should not return 7% annually to Treasury because it is not a private sector investment with equivalent risk and short term high yielding characteristics. Even if water infrastructure was considered similar to a private sector investment, the nature of the assets mean that it is a long-term capital growth style investment that would generate no more than 3.5 – 5% annual dividend if it was performing as well as the best Australian capital growth shares.
3. **Government Policy costs:** NSW Department of Natural Resources is attempting to charge customers for the bulk of its Water Resource Management expenditure. This is asking individuals to pay for the general costs of Government bureaucracy and policy. What other Government Department does this? For instance NSW Department of Primary Industries would not contemplate passing its bureaucratic costs onto farmers. DNR does not have the same accountability requirements as the SWC: it does not have an operating licence, with annual reviews and a requirement to demonstrate transparency and cost effectiveness, and customers have no input into decisions regarding the services it argues is it providing for our benefit.
4. **Efficient Costs:** We also request that IPART requires both DNR and SWC to demonstrate cost effectiveness (via cost benefit analysis) of any costs being passed on to customers. It is not adequate for IPART to be satisfied that costs are efficient, if the nature of the expenditure is questionable.

We ask IPART to address these issues along with those raised by our peak bodies, MRFF and NSWIC. We also request an opportunity to attend a public hearing in Dubbo to further discuss these issues.

Yours sincerely,
Ray Haigh
Chairman
Greenhide Joint Water Supply Scheme