

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 FROM THE BROGO RIVER

Introduction.

After reading the State Water Corporation's (SWC) submission on water pricing for the year 2006-07 and onwards we became extremely concerned for the viability of our dairy farming operation.

The Issue.

The proposed price increase for irrigators on the Brogo River after the year 2005-06 is in the order of 700%-800% for general security water and water used.

The calculation below shows how we will be affected by the increased price.

Example: If we have 3 ML of high security and 447 ML of general security water and an allocation of 60% that we fully use in one year.

For the year 2005-06:

3ML high security water –	3 x \$10.60 =	\$31.80
447ML general security water –	447 x \$8.15 =	\$3643.05
& 60% usage -	268 x \$5.43 =	<u>\$1455.00</u>
		\$5129.85

For the year 2006-07 using the same scenario with the proposed price increase:

3ML high security water –	3 x \$60.20 =	\$180.60
447ML general security water –	447 x \$30.10 =	\$13454.70
& 60% usage -	268 x \$81.07 =	<u>\$21895.60</u>
		\$35530.90

As can be seen from the above calculations the increase in the year 2006-07 is seven times greater than the previous year.

Further Charges by the Department of Natural Recourses (DNR).

Neither of the above calculations takes into account the DNR charges on top of SWC charges.

The DNR charges for 2005-06 are:
 \$2.80 per ML for high security water
 \$1.60 per ML for general security water
 \$1.07 per ML for water used

The disturbing part of the DNR Submission to IPART is the lack of clarity in their charging from 2006-07 onwards.

DNR suggest that the cost of operating South Coast regulated rivers is in the order of \$16-\$20 per ML, which is an added cost burden we could not afford on top of SWC charges. (Page 29 DNR Submission).

State Water Corporation comment on increased pricing.

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

State Waters suggestion is to ramp up the costs over five years which is still unacceptable as the price we get from milk is not likely to rise and therefore do nothing to cover the price increase of water.

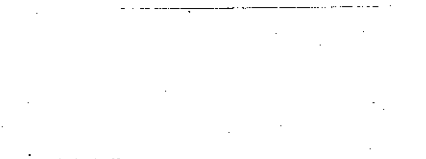
The solution.

In our view any increase in price should not exceed CPI in any one year. This level of price increase would be more sustainable for our farming operation.

In Conclusion.

If the SWC is allowed to increase water charges on the Brogo River to an unsustainable level, we as farmers would have to stop using water for irrigation and possibly hand in our General Security water. Which would in turn reduce the quantity of milk we produce, with all the ramification that would have to Bega Cheese with less milk flow through their factory which would in turn reduce their ability to pay a reasonable price for our milk, not to mention the flow on effects to the Bega Community.

Yours faithfully



Stephen & Mary Guthrey.
Partners.