

Murray Lower Darling Customer Service Committee,
P.O. Box 1128,
Leeton. 2705.

18/11/05.

Dear Sir/Madam,

STATE WATER IPART SUBMISSION

The following comments are from the Murray Lower Darling Customer Service Committee on the State Water Ipart Submission.

The comments will be of a general nature. The State Water submission restricts us to that. The document submitted by State Water is huge and cumbersome. It is not what I would call user friendly, and as all the members on the above committee are employed elsewhere, their time is limited. We are unable to sift through all the fine detail. We wonder if the 151 pages were chosen to put us off reading it because it is such a large document.

We are concerned that there are still some grey areas concerning the roles and responsibilities of both DNR and State Water. This doubling up in some areas may result in double charges being levelled in these areas. We see that DNR has identified 60 areas of Water Resource Management. We feel that many of these tasks should be performed by a more efficient and business like State Water.

We applaud the fact that the two organisations have become separate identities. DNR being the regulator and State Water the delivery company. The roles and responsibilities need to be clearly defined. This will result in a much more efficient management system, if each knows what the other is responsible for. We believe that this could be a role for Ipart.

The definition of some services and who should pay for these is also an issue that needs greater clarification. An example is the environmental water issue. The environment is a customer, just like any other irrigator. It already has volumes of water to use and is actively accumulating more water. This water has to be stored and delivered, just as water for irrigators is. The water therefore takes up space in the SWC run dams and incurs the same management as an irrigation supply. CSO's are the general running of the river, the base flow and the other non irrigated industries that live off the river system. In many respects these other industries should pay their way but until they do they should be treated as a CSO.

We believe SWC becoming corporation was significant in the history of the storage, management and delivery of NSW bulk water supplies. SWC being run as an efficient business independent of the ties of DNR could only have great benefits to the irrigation industry of NSW. We agree with the NSW Irrigators Council position that State Water should aim to achieve the following goals. State Water should be:

- the pre-eminent bulk water delivery business in the State;
- solely focused on efficiently and effectively managing the storage, delivery and accounting of all water under its control;
- efficient in its asset management;
- prudent with its investment in infrastructure;
- a competent manager of the risks associated with its core business;
- innovative in the adoption of technologies that will contribute both to the management of its asset base and a real reduction in the costs of all aspects of its business;

- committed to the task of driving down the costs of its operations;
- enterprising in broadening the base of its revenues within the core focus of its business operations;
- directed to adopt a truly commercial and competitive focus for all areas of its business operations; and
- led by a fully independent board of directors, supported by a senior management team with appropriate expertise to manage and grow the corporation's core business activities.

However it is disappointing that SWC has not really fully grasped this opportunity. It is obvious that SWC was not ready to cope with this step and its ability to deliver efficiencies in delivery and services has not been fully developed.

An example is the financial system SWC has in place. Some of our members have noted that invoicing is in some cases over two months behind. We believe that this is hampering SWC's ability manage some aspects of its business.

It seems the costs of corporatisation have risen markedly. SWC is seeking to impose these costs onto entitlement holders. An example of this is the career for life policy being looked at. This idea was floated by our group because the local SWC is having trouble finding suitably qualified staff. Forming alliances with Universities and granting scholarships to engineering students with the aim of them working with SWC for some time after completing their studies was seen as an approach to solve this problem. However it seems these costs along with many other unaccounted for business related costs and other cosy staff agreements are being passed on to irrigators. These must be attributed 100 per cent to the State Government, the owners of the business.

As stated earlier our group supports the commercial focus that State Water is pursuing. However, there is little to suggest that SWC is doing anything about implementing this position. The commercial focus, in our opinion should drive business efficiencies, but we see little evidence of this in this submission. We see all types of risk being passed straight onto the customers. We see little evidence of SWC exploring alternate business and risk management models that may result in efficiencies for its business and lower cost structures for customers.

We see shopping lists for new machinery that simply amaze the members of our committee. An example of this is the new machinery required for Menindee Lakes. To spend \$1.4million on replacing the current equipment is "gold plating" to say the least. The equipment is not in constant use and if there was an emergency blow out the machinery would not be big enough to cope with the problem anyway. We also see the same "gold plating" principle being applied to some engineering solutions. The principle that if you throw a great deal money at the problem, then you will solve it seems to abound.

It would have been a positive sign to see somewhere in the SWC submission an attempt to investigate the possibilities of reducing cost structures. We realise it has a monopoly market, but there has to be some way of exposing the Corporation to cost reduction pressures. As customers of State Water we have been through a terrible 5 year drought. We have had to find ways of innovating, becoming more efficient, doing things smarter. However we see only 'gold plated' processes from State Water. There is no evidence of any discussion on, or identification of cost reduction programs or targets. This is very disappointing.

The large irrigation corporations have been suffering huge revenue reductions. They have had to reduce costs immensely. This has been done to aid their shareholders through this difficult time. They have demonstrated this can be done. SWC should be looking into the same sorts of practises. Instead however, they are proposing that the Bulk Water Discounts be removed. Our group sees this

as another example of State Waters “dash for cash” Removing these discounts will give it a huge increase in revenue, for no real reason. The corporations take responsibility for meter reading, billing, water use, rice licensing, hydraulic loading, drainage management and monitoring for over 2,000 licenses. The corporations would be required to continue these operations, yet the discount would be removed. This would remove a reason for State Water to strive for further efficiencies in its operations.

Our organisation supports the NSWIC in its stance on the provision of dividends to the State Treasury. For State Water to return a dividend to the State government the activities of SWC must have been exposed to rigorous, open market contestability. Payment of a dividend to shareholders signifies the operation of a ‘profitable,’ business. If this applies to the activities of SWC then it is questionable why the State should be in the relevant business.

The NWI has been used as an excuse to increase some prices. This is not what we see the NWI is about. There are funds set aside in the NWI for improving an array of water services. We do not see the SWC accessing any of these funds. Our Customer Service Group was told that the SWC was too under resourced and didn’t have the time to even attempt a bid at one of these amounts. It is disappointing therefore to see that SWC will just pass the costs right on to the irrigators. We do not see this as serving its customers.

Leigh Chappell,
Murray Lower Darling Customer Service Committee Member,
“Rostella”
Lindifferon Lane,
Deniliquin. 2710.

Phone/Fax: 03 58846647 **email:** rostelladeni@bigpond.com