



PO Box 1254

Deniliquin NSW 2710.

Chairman: Mr Malcolm Holm

Phone: 03 58834336

Exec. Officer: Mr. Leigh Chappell Ph/Fax: 03 58846647

Email:rostelladeni@bigpond.com.au

Incorporating:

Berriquin Irrigators' Central Council

Wakool Landholders' Assoc.

Deniboota Landholders' Assoc.

Denimein Landholders' Assoc.

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13<sup>th</sup> November 2005

Review of Bulk Water Pricing 2005/2010  
Independent Pricing and Regulatory Tribunal  
Level 2  
44 Market Street  
Sydney NSW 2000

Dear Sir/Madam

## **REVIEW OF 2005 - 2010 BULK WATER PRICES.**

Thank you for the opportunity to make a submission to the Review of Bulk Water Prices. Southern Riverina Irrigators is the peak representative body for the five above Landholder organisations. These Landholders are the shareholders of Murray Irrigation Limited, and as such have a direct interest in the Ipart process.

We would be pleased to attend a hearing to discuss our submission and any issues relating to our submission.

We wish to make some overall general comments about the process and will then make comments about issues arising from first the State Water Submission and then the DNR submission.

### **NEW SOUTH WALES IRRIGATORS COUNCIL**

We are member of the New South Wales Irrigators Council and are in broad agreement with their submission to this process.

Our first impression is that both parties, State Water and DNR, see this as an opportunity to make a dash for cash and blame the increase on the National Water Initiative. The SWC document is cumbersome to work through. We are disappointed with the way the tables used the average as very often averages can be misleading.

### **WATER RESOURCE MANAGEMENT.**

The proposition from DNR to increase staffing by 71 we see as a classic example of empire building. The need for the establishment of a register for the separation of water and land is one example given for this increase. We see this as an action that should have already been completed. Water and land titles have been separated since July 1<sup>st</sup> 2004. To want to increase staff to cater for this task is being mischievous.

**Recommendation: Investigate the use of technology to decrease costs or increasing efficiencies in their Work Practises. Irrigators shouldn't be paying for years of neglect and inaction by the department. We see that registers have been allowed to fall into disrepair.**

We also see that DNR have changed their product codes. The reason for this is given as their reporting is now based on activities rather than outputs. However we see it as an attempt to confuse many. It will be extremely difficult for any benchmarking with past performances to be done.

There are areas that DNR consider irrigators to be the sole beneficiary, when this is not the case. There are an increasing number of users of our water ways. These people also have a vested interest in the way the rivers are run. Tourist operators, fisher people, water skiers and campers are constantly lobbying to be considered in the management of the river systems. However we do not see that these groups are being considered in the charges for Water Resource Management. We do not accept the DNR argument that irrigators are the impactors and should therefore pay the entire costs. These are management issues. Requests for higher water levels for longer periods come from the tourist industry, not the irrigation sector. Hassels and Associates conducted a study along the Murray River and highlighted the fact that 1.6 billion dollars of wealth is created along the Murray River from non irrigated industry. This wealth is on the back of a regulated river system. We see DNR shifting costs to irrigators without taking into account their CSO obligations.

**Recommendation: Revise cost sharing arrangements. Consider charging all users for the Management of the Resource. We do not support the DNR definition and see the previous definition handed down by IPART to be a truer picture.**

SRI considers the idea of uniform water tariffs across the state as ill conceived. Each valley has conditions and problems unique to itself. The DNR submission has based this decision on numbers alone. Numbers do not take into account valley by valley differences. These require individual management strategies to suit. To even consider the idea of uniform tariffs we find shows a lack of understanding.

**Recommendation: DNR continues to set tariffs based on individual valleys.**

Another issue which has concerned our organisation for some time is the fact there is still confusion over the areas of responsibility of each organisation, namely DNR and SWC.

**Recommendation: Ipart take a role in determining exactly which roles are to be performed by each of the controlling bodies.**

We are concerned that DNR would want to remove bulk discounts. The large corporations perform many of the tasks that DNR is required to perform. The annual compliance report is one such example. This report supplies information on how much water enters the system, how much leaves through drains, the quality of this water, salinity measures and what crops this water has been used on. The individual and small irrigation outlets do not supply this information. We see this as a good reason for maintaining the bulk discounts.

The area of water trade is also one that the large corporations reduce the work load of DNR. Trades of water require the exchange of detailed information. The large corporations are in integral part of this exchange process, supplying information critical to the trade. A single license holder does not.

**Recommendation: The bulk water discounts for irrigation corporations should remain in place.**

Much is made of the NWI and WRM being the cause of price increases. We see that the NWI and WRM should not be a cost burden. The management of the resource has been occurring for decades. The NWI and WRM alter the focus, not management. State Governments have received payments for the reform processes within the NWI. The fact that DNR wants the community to pay for the reform process by increasing charges on top of these payments indicates DNR is double dipping.

## **STATE WATER CORPORATION.**

What a daunting task! Does State Water believe that we will take a look at the size of their submission and just throw our hands in the air and put it in the Too Hard Basket? SRI believes that the State Water Submission was long on bulk and short on detail. While it is important for State Water to state the rationale for its pricing and calculation for RAB, changes because of corporatisation etc – most of the material could have been contained in the appendices. The real “guts” of the pricing determination is of course the proposed new prices per valley (which are not given) and the changes to price in comparison with prices from the last determination. These are located on page 132 of the submission and do not rate a mention in the executive summary. If the Government wants this process to be meaningful then State Water must provide information in an easy to read format.

**Recommendation: State Water provides a more user friendly and factual submission.**

### **National Water Initiative.**

The National Water initiative and COAG Agreements have been blamed for many price hikes.

The NWI suggests that *“Full implementation of this Agreement will result in a nationally-compatible, market, regulatory and planning based system of managing surface and groundwater resources for rural and urban use that optimises economic, social and environmental outcomes by achieving the following:”* We feel that the dash for cash approach being adopted by State Water is neglecting the economic, social and environmental outcomes being espoused by the NWI. The size of some of the price hikes will drive some users to pilfering in an attempt to reduce the size of their water charges. A totally undesirable outcome. We would like to see service that includes irrigators and enhances the value of the resource to all stakeholders.

As the “User Pays” principle is being touted as the way charges should be administered we believe that all users should be charged. Irrigators seem to be the easiest to target because we already get a water bill. There are many other water users who benefit from the use of our water ways. Tourism businesses, recreational and professional fisher people, and towns are all users of this resource.

We also concur with the NSW Irrigators Council stance on encouraging governments to focus on the investment, employment and wealth creation opportunities created by irrigated agriculture in NSW and not view this sector through the prism of an opportunity to siphon off revenue in support of bloated bureaucracy.

**Recommendation: All users should be considered in the charging structure of State Water.**

### **Corporatisation.**

This step is a positive one for State Water. To be run separately from DNR as a business can only have positive results for irrigators as customers. However we would like to see State Water run as a competitive business, not one that introduces extravagant systems when there is a more efficient way things can be done. Some of the price rises do not reflect the level of service required.

**Recommendation: Consult with customers as to what level of service is required, so better pricing structures maybe identified.**

### **Pricing framework.**

State Water stresses the impact of its physical infrastructure and its impacts on pricing. SRI agrees that should some of its structures suffer a systems failure the results could be devastating or annoying. SRI believes that the level of safety being applied to structures is far too high. We feel that independent advice on safety levels should be obtained on what the appropriate safety levels are for the structures it owns and manages. If the government and community wishes to impose safety standards which are higher than necessary then they should bear the cost.

It must also be remembered that the dams not only provide water storage but they also provide recreation and flood mitigation services as well. We cannot see any attempt to charge other groups for the benefits that accrue to them from this infrastructure.

**Recommendation: That State Water seek independent advice on the appropriateness of current safety levels of infrastructure. Where standards have increases due to reduced tolerance of risk by the community then this cost should be borne by the government on behalf of the community.**

### **Operating Expenditure.**

SWC needs to be more transparent with this process. Irrigators need to know where their money is being spent. If money is being collected for Dam Safety, then the money should be spent on dam safety. We need SWC to become more transparent.

This would be aided by consistency in their product codes. This would give users the opportunity to make accurate comparisons from one year to the next.

SRI also notes that since 2002 staffing FTE's have increased somewhere in the vicinity of a 20%. This has occurred at the same time as the worst drought on record. We understand that there is an increased need for monitoring and measuring in these times. However most country businesses are reducing staff to cut costs. Perhaps State Water should be looking at ways to maintain its present levels of service with less staff.

**Recommendation: Review Staffing levels to match identified levels of required service.**

### **Asset Management:**

SRI believes that a complete review of all SWC assets be undertaken. This would give a clearer picture of what assets are required and the state that they are in. It maybe that SWC do not need all the current assets to run an efficient water delivery system. There are examples all over the state where SWC is looking to replace aging equipment. The cost of this program is massive. Do we need it? Would contracting the work be a cheaper alternative? There maybe significant savings if these avenues were explored.

We strongly object to the notion that if works are undertaken voluntarily, for desirable environmental outcomes, but not triggered by a compliance requirement that State Water would treat this as any other asset, whereby the operating and maintenance costs as well as remaining lifecycle costs would be borne by the water users. We should only be paying for those works essential to deliver services to irrigators. If a third party (including the government) wishes to undertake work then they should pay for this as well as the operating and maintenance costs and remaining lifecycle costs.

We also note that world terrorism now means that the State Water is required to increase security at its major infrastructure sites as part of the NSW Critical Infrastructure Protection Program. Again we would argue that this is not a cost which should be borne by irrigators alone. Just as increases to police numbers because of terrorism are borne by the whole community through our taxes.

### **Delivery of Environmental Water:**

SRI sees that environmental water and Community Service Obligations (CSO) are two different packages. 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.

SRI believes that the environment should be charged at the same rate as irrigators for the services SWC perform.

**Recommendation: Environmental water incurs the same charges as irrigators. Other water users don't pay i.e. skiers etc.**

### **Pricing:**

SRI believes that pricing should be transparent and reflect the true cost of the service provided. Accountability is another important aspect of pricing. The users should be able to see exactly what is being delivered at what price. Consistency in accounting is also desirable. This would enable

benchmarking from one year to the next. The use of average tables is misleading as in most cases there is no “average water user”. SRI also agrees with the stance taken by the NSW Irrigators Council on this matter. In the absence of any meaningful contestability in either SWC or DNR’s markets and with national benchmarking of dubious value, IPART must undertake the most detailed scrutiny possible of the proposals submitted by both SWC and DNR.

**Recommendation: Pricing should be transparent and accountable.**

**Unconstrained price increases.**

State Water is a monopoly. We find it incredible that it can justify increasing a charge of \$5.42 to \$535.59. Such increases would have devastating effects on the users of this service. If such an increase can be justified, it should be increased over a period of time. State water puts the case that irrigation water is a small part of the production system. Technically they may be right. However irrigation water is one of many input costs to achieve production and once these costs are all accumulated, irrigators run on slim margins. Most inputs costs are small in percentage terms but added together they become quite substantial. The fact irrigators have just been through the lowest inflow period on record (MDBC) their ability to pay is even further diminished.

**Recommendation: That prices that State Water charge should reflect the costs of delivering bulk water and take into account economic and social impacts of increases in prices.**

**Bulk Water Discounts:**

SRI 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. In our case MIL takes responsibility for meter reading, billing, water use, rice licensing, hydraulic loading, drainage management and monitoring for 2,400 licenses. MIL 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.

**Recommendation: That State Water retains the Bulk Discounts for large customers.**