



SOUTHERN RIVERINA IRRIGATORS

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Incorporating:

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Independent Pricing And Regulatory Tribunal,
PO Box Q290,
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Southern Riverina Irrigators (SRI) is the peak organisation for the 4 Landholder organisations listed above. We represent 1600 irrigators' in the Murray Irrigation region. Our comments will be restricted by our limited access to knowledge on many of these issues. However, SRI welcomes the opportunity to respond to the State Water and DIPNR submissions. We are extremely concerned about the DIPNR attitude to this whole process. It would appear they put the hard questions off until a mid term review. DIPNR claims it is going to answer all these questions in a mid term review. We believe they had sufficient time to prepare for the first round of submissions. What guarantees do we they will complete a full submission for the mid term review. We believe that DIPNR have some credibility to restore and given this we would recommend that the pricing remain the same in overall terms, until the next full review to send a clear message to DIPNR to take the process seriously.

*The efficiency of the projected operating costs outlined in State Waters Submission.
Whether there is scope for State Water to achieve further efficiency gains over the next price determination period.*

SRI sees benchmarking as an efficient method of assessment in this regard. It will be difficult as there are not many other similar organisations. However, benchmarking against ones own performance and improving against that is always possible. Striving to become more efficient is sound business practise. Now State Water is separate business we would expect the organisation to be continually self assessing its performance with the view to becoming a more efficient entity. We see Ipart having a role in monitoring this improvement and should demand such data it needs to conduct this task.

*The projected capital expenditure program outlined in State Waters submission, and the outcomes it is expected to achieve.
The prudence of state waters past capital expenditure.*

We have concerns over the dam safety issue. We agree that there should be a full risk assessment of all structures. However we feel that the upgrades required meeting these assessments should be a government one, as Ipart determined in the past. State Water now wants irrigators to bear some of these upgrades. On completion of this upgraded risk assessment, irrigators could be involved in a cost sharing arrangement.

Whether there is a connection between the provision and use of water services and WRM activities usually undertaken by DIPNR, and if so, the strength of this connection.

The efficient costs of providing WRM services.

The role of the CMA's in relation to WRM services.

DIPNR's proposal to set the WRM prices from July 1st 2005 to June 30th 2006 based on the current prices plus a CPI increase.

Our organisation is extremely disappointed in DIPNR approach to this process in relation to water Resource Management activities. We believe DIPNR's proposal to simply set WRM prices by adding the CPI increase to the last determination shows great contempt for the process. There is no detail involved with this approach. How does the user know what service is being provided? It maybe that another agency is already providing the service they are charging for.

Our CMA and DIPNR are at odds on several issues and WRM is one of these. We do not want to see irrigators paying multiple charges for a single service.

This approach from DIPNR also makes no allowance for efficiency gains. We believe this poorly prepared approach from DIPNR be treated with the contempt it displays towards the process.

The appropriate balance between fixed and usage charges.

This is difficult to evaluate. The water security varies from valley to valley, so we see this as an impediment to setting a state wide ratio. The shift to the 60:40 will be beneficial to State Water in 7 years in 10 in MIL, but it will be beneficial to users in years of low allocation. Perhaps state Water could evaluate this on a valley by valley basis.

Comments on the appropriate balance between high security and low security entitlement prices.

SRI supports the proposal by State Water to increase the price for high security water. The increased costs incurred to maintain high security water due to greater storage capacity required are quite substantial. These costs should be reflected in the costs to those who use the product. Given the reliability of the product, perhaps it should go further with High Security paying a higher fixed charge and no delivery charge given that the water is always there. We also see the possibility of charging the community a higher charge (see environmental water). This is a result of the general community valuing a running river and the stock and domestic use.

The progress of converting volumetric licences and applying two part tariffs on unregulated rivers.

SRI would support this continued push to have all licences converted to a volumetric amount. Water Management is dependent upon sound measurement practises. With unregulated systems in place, it is impossible to manage our limited water resources. We see this process of converting to volumetric amounts as very important.

Wholesale discounts are still appropriate.

If so, what level of discount for wholesale customers is appropriate.

SRI supports the retention of the Bulk Discount arrangements in place for Corporations. Within MIL there are 2,400 individual holdings. The water taken by these holdings is monitored by the Channel Attendant in his capacity of operating the Channel as well. If the bulk discount were to be removed, this monitoring would have to be done by a separate individual or contracted out to MIL to be done. Either way it would add costs to the end users.

State Water has indicated it wants to be treated as a business like any other operating in a commercial environment. Bulk Discounts are part and parcel of everyday business practise. In their submission State Water point out the issue of cost of supply. They maintain that the costs of supplying 10ML are no greater than 1000ML. To not grant Bulk Discounts in a case such as this would surely smack of blatant revenue raising. There are 3000 licences in the Murray Valley. We would suggest that the bulk water users are cross subsidising the other licence holders. It is widely known there is a lack of accountability in monitoring many of these licences. We feel these must be upgraded to real time remote meters to ensure licences are being complied with. As a result the cost should be increased to the no bulk user to cover the increased monitoring costs.

Perhaps having a base price with an applied discount is an efficient way to handle this matter. Then there is the one price but varying discount rates, depending upon the amount used. This could be in multiples of 100k ML bands such as < 100k no discount, 100-300 w%, 300 –600 x% 600 – 1000 y%, and above 1000k ML %.

Environmental Water and who is to pay costs of delivery on it.

SRI is of the opinion that this water is of benefit to the entire community. We also understand that there are two types of Environmental Water, namely Fundamental and Adaptive. Adaptive water is able to be traded for profit. If this is the case, the delivery charges and costs associated with this water should be paid by the entitlement holders of that water.

We also believe that same should apply to the Fundamental Environment Water. Tourist operators, foresters and holiday makers gain the benefit of this water, that state Water thinks the irrigation industry should pay.

A recent study by Hassell and Associates indicted that the total economic value of ‘river dependent’ activities in the Southern Murray-Darling Basin is \$1.621 billion. We believe that these industries should be contributing to the costs involved water delivery. It should not be left to irrigators alone. As stated previously, it is the constant water within the system that the tourist industry and Stock and domestic rely on.

Water Users Capacity to pay.

This issue was raised by State Water. Water is the most important input on an irrigation farm. As agriculture operates in an environment of diminishing returns it is naïve of State Water to suggest that they can afford the price increases because the water is such a small part of their overall cost. They even suggest that the cost must be affordable because many buy in more water. If State water were more in touch speed with the current position of their customers, they would know that we have had the lowest recorded inflows ever. The Dairy and Rice Industry are on Exceptional Circumstances. This lack of water has restricted the irrigator’s ability to absorb higher costs. We believe that at no stage has there been a stronger case to provide greater rigour to DIPNR and State Water to contain costs.

Temporary Trade and the costs of Temporary Transfers.

Our organization is totally opposed to the increased costs of temporary transfers. The size of the increase, \$75 to \$275 cannot surely be justified. If this water is being transferred, it is obviously being bought to be used. This means that State Water will pick up a usage and delivery charge it would not have obtained had the water not been transferred.

As farming changes to meet new challenges, farm size is increasing. Many irrigators own multiple properties. To use their water efficiently, most times much of the water will be used on the one holding.

Under this proposal, the irrigator will be up for \$275 every time he moves water onto another of his holdings.

We believe there maybe more efficient ways of processing the temporary transfers. In the State Water Operating Licence it refers to inter valley and inter state transfer being approved by DIPNR. If this is going to be done on a per application basis this is inefficient. There is no reason DIPNR can't approve a fixed volume so the application can be approved quickly. There could be a trigger point so that State Water works with DIPNR in assessing the upper volume to be traded.

We thank you for the opportunity to comment on these issues and would welcome the opportunity to attend a public forum.

Leigh Chappell.
Executive Officer.