

Murrumbidgee Private Irrigators Inc

PO Box 342, Finley NSW, 2713
Phone: (03) 5883 4445 ~ Fax: (03) 9017 8987
Mobile: 0428 832 357
Email: rayjen@mcmmedia.com.au



**IPART
Level 8
1 Market Street
SYDNEY NSW 2000**

23 October 2009

Dear Mr Read

Response to State Water's Proposed Charges 2011 -2014

Thank you for the opportunity to respond to IPART re – State Water's submission - proposed water pricing charges 2011 -2014.

The Murrumbidgee Private Irrigators Inc (MPII) represents irrigators on the full length of the Murrumbidgee River, and Yanco Creek System. Our members live from Batlow to Balranald and from Jerilderie to Moulamein. We also have a number of "operators" amongst our members although volumes of water are vastly smaller than the irrigation corporations. We are approximately one third of the diversions on the Murrumbidgee system being some 680,000 megalitres.

Whilst we are in full support of the response submitted by the NSWIC and we echo all issues that are raised in their submission, we wish to highlight the below points.

State Water's Financial Position:

Despite the drought, it is apparent that State Water has still managed to make a profit each year over the last determination period showing a positive return on assets. On the contrary State Water customers have been forced to mind their assets through this terrible time delaying capital works etc. In reality State Water (SW) is nothing more than a government department set up as a State owned corporation so that taxes on irrigators can be disguised as a dividends to shareholders. The SW submission just reflects government policy, there is no indication as to future cost savings which could easily be used to cover any shortfall in revenue due to the drought. The reduction in charges to Murrumbidgee users is just smoke and mirrors with expenditure being transferred to resource management costs.

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State Water's Capital Expenditure:

MPII struggles to understand State Water's justification for further capital expenditure during the dry period, when customer and private enterprise practice is to defer major spending until the outlook improves.

WACC:

MPII cannot justify State Water's reasoning for increasing the rate of the WACC, particularly when figures show that the organisation has managed to come through the worst drought on record with a small profit on operations. This evidence would suggest that there is a case for leaving the WACC where it is or lowering it on the expectation that things will improve.

Length of the 2010 Determination Period:

MPII believes that to be able to compare each of the pricing periods in an open and transparent manner that a four year period for the next determination is the appropriate length of time.

Consumption Forecasts:

MPII submits that if State Water were to change their forecasting from the IQQM method it would be detrimental to water users who have no way of being able to protect themselves from the same dry conditions. Nearly all organisations dealing with water and projections use IQQM. SW is trying to second guess the future with a model that in fact has no basis.

YACTAC Compulsory Levy:

MPII supports the continuation of compulsory levy collection from YACTAC landholders to continue Natural Resource Management. The continuation of the levy is essential to co-fund funding that is being provided by government agencies and to allow for works that require follow up funding to be completed.

NSW Office of Water:

MPII is of the view that it is unreasonable that NOW have been given an extension for their submission when it would appear that they have had ample time and resources to meet the deadline. As a result IPART should discount their submission accordingly.

Summary:

MPII request that IPART strongly consider the flow on financial impact that the State Water proposed price increases will have on water users who do not have the ability to buffer increases. It appears that State Water could minimise their projected increase in expenditure until the seasons turn around. This action would align SW with the strategic plans practiced by all other commercial enterprises.

Jennie Hehir
CEO