

# WEST CORURGAN PRIVATE IRRIGATION DISTRICT

"Environmentally Sustainable Irrigation"

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The Chairman  
Independent Pricing and Regulatory Tribunal  
PO Box Q 290  
QVB Post Office NSW 1230

10 May 2001

IPART
Doc No.....File No.....

Dear Sir,

## REF: DLWC SUBMISSION TO IPART ON BULK WATER PRICING 2001/02 - 2003/04

West Corurgan Private Irrigation District Board of Management would, on behalf of its 300 water supply stakeholders and the associated community, like to take the opportunity to express its grave concern at DLWC bulk water proposals.

The West Corurgan PID covers an area of some 2 12,000 Hectares with 296 irrigation license holders together with approximately an additional 34 stock/garden water supply recipients. The Districts allocation is 77,890 Megalitres and West Corurgan is treated as a wholesale customer in the context of the DLWC pricing submission.

### GENERAL COMMENT.

In relation to the DLWC submission which in itself is an extremely complex document, this Board does not have the resources to fully examine or audit the financial statements contained therein. Therefore, there remains doubt as to not only the accuracy of the financial estimates but also the ultimate transparency of the total package. Therefore, this Board, on behalf of not only the Corurgan community but also all other consumers, specifically calls upon IPART in its capacity as an independent tribunal to fully question and confirm or otherwise the financial presumptions made in the DLWC submission. This Board makes that request presuming that IPART itself has the necessary resources available to fully dissect the submission.

The base cost of DLWC bulk water charges is only one component of the financial burdens placed upon the rural industry. It is however a major impost. It must therefore be realised that the need for improved on farm efficiency, the requisite for improved environmental awareness and monetary contributions towards that end and the general overall farming costs coupled with a basic human right to provide socio-economic sustainability will all be substantially reduced if DLWC proposed increases of the magnitude contained in the submission are realised.

## SPECIFIC COMMENT.

The following observations and comments are made in an effort to familiarise your Tribunal with the thoughts and perceptions of this community.

### Executive Summary

#### DLWC'S Pricing Rationale

2. "*those who receive the benefits of consumption should pay for them*" appears to be in conflict with later comments referring to "*the beneficiary pays*" and "*consumer*" costs. The Department appears to have a problem discerning between beneficiary and consumer and therefore ratios between consumer and the public in general appear to be also somewhat inappropriate.

#### Principle (2) Beneficiary Pays

In relation to cost sharing, the 50% ratio as regards safety is not acceptable when referring to Dam infrastructure. Safety issue costs should be a 100% community cost. Under the current regime the consumer is being charged twice for the safety costs of dam infrastructure etc that has immeasurable benefit to the community at large.

## 1. PRICING FRAMEWORK

1.3 The statements "*the need to stem the widespread natural resource degradation caused by inappropriate pricing practices*" and "*the underpinning of bulk water services will perpetuate ecological degradation*" and "*pricing signals will contribute to the achievement of ecological sustainable outcomes*" are politically motivated perceptions and assumptions that assume that irrigation consumers are bereft of any self motivation or environmental caring processes. Pricing should reflect cost of service and not be used as a blunt instrument to achieve other results.

### 1.4 Medium Term Pricing Proposal

#### (1) Cost recovery

An "*industry average rate of return of seven percent is applied to the written down value of replacement and refurbishment capital expenditure to 2004*" is an inflated rate of return that we would find difficulty in substantiating and an impost that cannot be borne by consumers.

## 2. BULK WATER OPERATIONS,

iv, Further information on service standards and performance.

"*Service to customers has improved since the establishment of State Water*", is a statement that this Board cannot accept. Actual "Core competencies" we believe do not measure up to the standards implied by the DWLC submission.

## 4. COSTS AND REVENUES

### 4.2.2. Cost Sharing

"*The government pays all costs where the benefit or impact relates to either a broad community good or falls to a specific group for which there is no current charging mechanism*" and "*DL WC proposes to continue to base cost sharing on the beneficiaries pay principle*" are statements that reinforce the premise that ; (1) Because consumers are easily identifiable and quantified, it is simple to pass on fees and charges and (2) Once again there appears to be confusion between beneficiary pay and consumer pay principles.

#### **4.4.2.1. Total Asset Management Plan**

Issues relating to Dam Safety and Environmental Issues that concern major infrastructures are total community issues and associated costs should be borne by Government. Local environmental issues are funded and implemented in association with individuals with Schemes such as Land and Water Management Plans successfully implementing sustainable agro-economic planning.

#### **4.4.2.3, State Water Renewals Annuity- Category 2**

If fund are collected in advance of expenditure, this Board views with great concern that a separate sinking fund will not be established. Previous experience with what appeared to be an apparent loss of credit funds in relation to the old \$1.35 Water management fund creates a sense of uncertainty when the proposal is to manage cash reserves centrally.

### **5. PROPOSED BULK WATER PRICES**

#### **5.2.3. Fixed and variable Costs.**

*"a higher usage charge sends stronger water conservation signals"*, once again this statement leads us to believe that the proposed charges do not relate to cost recovery but rather the implementation of political aims.

#### **5.2.4. Wholesaler discounts.**

Savings to DLWC are substantial when dealing with wholesalers and this Board would obviously fully support the discount policy.

#### **5.2.6 Prices 2000- 2004**

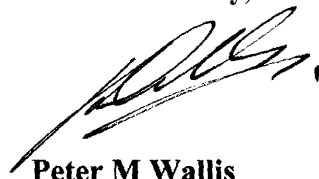
These increases are 70% on fixed charges and 66% on usage charges over the 3 year period, that scale of increase is simply not able to be borne by the irrigation industry.

Furthermore, the loss to the community of the extra revenue that will be taken from irrigation centres will have huge detrimental repercussions on the socio-economic status of the rural community.

The research by DWLC into Gross Margin Impacts is somewhat interesting and this board would ask "if proposed increases only relate to paying for services rendered, why try and determine what the market will bear?"

In conclusion, I reiterate that consumers are heavily dependant upon your Tribunal having the independence and resources available to realistically dissect the DLWC statistics and trust that your deliberations will encompass the ultimate impact and repercussions on the rural community.

Yours Sincerely,



**Peter M Wallis**  
**Manager.**