

GWYDIR VALLEY IRRIGATORS ASSOCIATION INC.

ABN 49 075 380 648

Chairman: John Seery

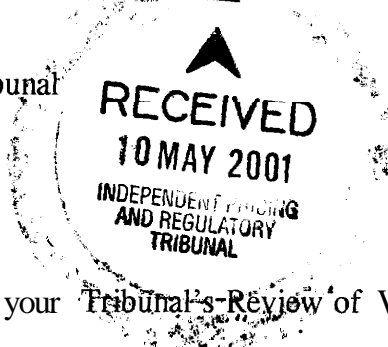
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IPART	
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The Chairman
Independent Pricing and Regulatory Tribunal
P.O. Box Q290,
QVB POST OFFICE NSW 1230



Dear Sir,

We present our submission to the your ~~Tribunal's Review~~ of Water Pricing.

Before making any decisions in regard to the price of water or of the TAMP charges in respect to dams (the TAMP process) IPART must look at a number of factors influencing the future of irrigated agriculture, namely, the Water Management Act, the current economic climate, the value of the \$A, water availability and security, CAP, Who Pays, TAMP and BAR (Bulk Allocation Regime, and previous IPART decisions.

We would draw your attention to the 1986 decision of the Water Conservation and Irrigation Commission, which said,

3. Component Replacement Depreciation)

The strategy provides that the costs of past capital investment in dams, weirs and other structures and works will not be recovered through water charges. This recognises the long history of State funding of major works and the ensuing capitalisation of at least part of that investment into the value of irrigation land, much of which may have changed ownership several times since the works were constructed. It also recognises the "public good" conferred by the works in recreation opportunities, flood mitigation, regional economic development flowing from irrigation, and so on.

To disregard this statement as having no relevance in today's context is to say that all licences issued prior to 1986 have no relevance: it is a poor excuse to derive more funds.

In the 1998/99 1999/2000 Bulk Water Pricing decision of IPART, the following statements were made: -

page 2, 4. THE DETERMINATION
 4.1 Costs and revenues

There is a substantial gap between 1997/98 revenues from bulk water services and DLWC's estimate of full cost recovery. Excluding a rate of return on existing assets, DLWC has estimated that users should be charged a total of \$74m a year (1996/97 prices). This figure increases by \$130m if a return of 6 percent on the depreciated replacement cost of assets is included. The actual revenue for 1997/98 is estimated to be \$28m, including licensing revenue.

The Tribunal has reviewed DLWC's efficiency targets and cost sharing proposals. On the basis of this review, the Tribunal has assessed full cost recovery at \$44m. This excludes any allowance for a rate of return on past investments. However, it is intended that future prices will include a commercial return on any new investments.

on page 5, second paragraph, dot point (5) -

- * *The Tribunal's not allowing a rate of return on past investment (See IPART, Bulk water prices: an interim report, October 1996, sections 5.3 and 5.5, pp 5 1-57.) It intends to include a rate of return on new **efficient** investment (section 7. 1.1).*

on page 10, **5.1.1 Efficient** costs last paragraph,

*The Tribunal has argued that commercial, risk-adjusted rates **of return** should be earned on new investments, but that previous investments **in the NSW** water industry were undertaken **for** a variety of reasons other **than** commercial, and a return on these investments is not warranted. (IPART, Bulk Water Prices: an interim report, October 1996, section 5.4, p 55.)*

These statements have given clear direction to the irrigation industry and must not be repudiated.

The power of Government is based in the confidence the community has in its decision making process. To destroy that confidence is to destroy the form of government we have today. Retrospective somersaults have no place in today's world, let alone NSW.

1. The Water Management Act

A section of the Bill gives the Minister overriding power to charge the irrigation industry any amount of money, based on his own choosing. Not only can he determine the charges, he has absolute power to determine how and where the money will be spent.

The capacity for the Minister to make such decisions completely over rides your authority, as the price setter for a maximum charge the Government may set for the sale of water to the irrigation industry.

Whilst accepting that regulations have not been passed for the new sections of the Water Management Act, they are expected to be in place by March 2002.

In setting a three-year pricing structure for water, an imposition of an additional charge by the Minister will throw your determinations and the planning process of irrigators into turmoil.

Before announcing new charges, the Government must be committed to an on-going pricing regime, or a guarantee that it will not impose additional charges during the term of your determination.

2. Current Economic Climate

The Gwydir Valley Irrigators Association Inc. does not subscribe to the 'doom and gloom' prophecies of the media, made to sell papers or more likely to exact political influence or determine future governments, their form and their policies.

We do, however, recognise the world-wide effect of overseas decisions relating to such factors as foot and mouth disease, interest rates, fuel prices, investment strategies and export/import regulations, will have on the future of irrigation.

Foot and mouth disease management strategies could well lead to severe trade embargoes, as Australia protects itself from the disease; interest rates are an incisive factor in the capability of irrigation to produce; the enormous effect fuel prices have on production, even without any government customs or excise charges; the movement of funds in and out of Australia; the approach other nations take in balancing their own books in difficult economic circumstances; all these factors will influence the capacity of irrigation to perform profitably.

3. The value of the Australian Dollar

This is the greatest factor confronting irrigated agriculture, especially cotton and rice, in determining its input costs and the export price of our commodities.

We import our machinery, both farm and for cotton ginning, as well as parts. We import 80 % of our chemicals and fertilisers. An \$A at US 50¢ makes these inputs very expensive. The need for machinery purchases to be made over a five-year period locks the irrigator into a high expense over the five-year period, despite the fact that the \$A may increase in value against the \$US.

Chemicals require a 15-month advance costing, with an availability secured two years in advance.

In all, this locks the irrigated cotton industry into long term expenses which should be taken into consideration when calculating the price of water.

Currently, cotton sells for \$US 50 cents per pound, which at the current AUD/USD exchange rate equates to \$A500 per bale. If the Aussie dollar exchange rate were to increase to 80 cents to the US dollar, per bale returns in Aussie dollars would fall to A\$280 per bale, provided that US cotton prices remained at 45 cents per pound.

At today's price and costs, the break even is 2.75 bales per acre, which is about the long term average valley yield.

To look at the cotton industry from afar, and laude the high profit crop and enormously rich cotton growers, is fallacious.

Cotton is currently producing on a knife edge, and it is only because of the increased production resulting from better seed and higher yields, improved water use, better farming practices, and a low \$A value that it can continue.

A down-turn in any of these factors could see a retraction of the cotton industry.

4. Water availability and security

The Water Management Act maintains the power of the Minister to literally turn off the tap of water for irrigation purposes. It is now the lowest priority for water availability.

The rejection of a property right, the splitting of the Water Entitlement licence into an Access and a Use licence, and the ability of an individual or company to own water without owning land, makes water security a thing of the past.

Although under the old Water Act the Minister had the power to cancel a licence and distribute water as he saw fit, there was a certain security in precedent that such actions had only very rarely occurred. There is no such security under the new Act.

The future decisions on available water entitlements and allocations will be made by groups of people who have no knowledge of the industry, Departmental officers who pander to Government dogma, and a representation of 2 out of 18 from the irrigation industry on River Management Committees give little confidence for the future.

The environmental representatives are greater in number than irrigators, and with other fellow-travellers, have the water entitlements of the valley firmly in their keeping.

As the current price structure is to be set for three years from 1/7/01, there is a need for IPART to get guarantees of supplies to the irrigators before setting a three-year price, or, alternatively set a 1-year price. This price could then be adjusted subject to decisions of the Gwydir Valley Regulated River Management Committee, should it vary from current arrangements.

Under the new Act, once an agreement is in place, it will remain for 10 years, subject to compensation if it is altered, so a longer pricing structure could be put in place for future years. In the first 12 months, an irrigator could lose a lot of water without compensation and your calculations would be wrong.

5. CAP

COAG established a CAP process for all regulated rivers in NSW, under which irrigation water usage would be pegged to the 1993-94 level of development.

In the Gwydir Valley, we suffered a severe drought in 1992-93, 1993-94 and 1994-95, which made it too hard for the Department of Land and Water Conservation to come up with a CAP figure.

In order to legitimise the process, be it under or over the sheet, the Department of Land and Water Conservation drew a line between 1896 and 1996 which was an average of 404,000 MI flow in the Gwydir for that period, should a dam have been in place for the period.

Given that the average annual flow of the Gwydir to 1976 was 804,000 MI, then the prostitution of the CAP process is complete. No one has yet been able to quantify a CAP for the Gwydir, other than to say that we are in excess of it.

Currently, there is a review of the CAP being undertaken in all valleys of the Murray Darling Basin, so should the Department of Land and Water Conservation determine a lesser quantity of water be available for irrigation purposes, then calculations undertaken by IPART to ensure a full cost recovery of expenses for the operation of the Copeton Dam and the Gwydir Valley will be of little use. A reduced allocation/entitlement to irrigators means reduced income to DLWC.

Currently, Gwydir Valley irrigators pay an entitlement fee for high and low security water entitlements, and a fee for each MI diverted. This system of charging applies across the State, and varies from year to year in line with IPART determinations.

Income from entitlement charges is fairly static. In 1999-2000, the payments were \$1,440,040 low security entitlement @ \$2.78/MI on 518,000 MI, and \$58,520 high security entitlement @ \$4.18/MI for 14,000 MI, a total of \$2,865,496.

The Department, through the Murray Darling Basin Commission is now claiming a breach of the CAP and is indicating that water use in the Gwydir valley will have to be reduced in the coming year.

As the Gwydir Valley has never diverted 100 % of its 5 18,000 MI low security entitlement, it is paying for water it does not receive. This problem would be exacerbated by any reduction in allocation under the terms of the entitlement, and we would not be prepared to have an allocation less than the water available, while still paying full entitlement fees .

If the irrigators' access to unregulated flow is to be reduced, given that on average over the last four years Gwydir Valley irrigators although allowed 50 % of unregulated flow, have only pumped 20.65 % , then the Department of Land and Water Conservation income will be further reduced, whilst the water will go to non-paying users in the wetlands, an inequitable and uneconomic operation.

We reject any reduction in water availability. However, we request that in the event of any water allocation reductions as a result of a reduced CAP, that a per MI charge equal to the reduction be credited to each individual's share of the entitlement fee.

6. Who Pays

Currently, the only designated beneficiary of water from Copeton Dam who pays is the irrigation industry.

The other direct beneficiaries are the Environment (Environmental Contingency Allocation) which has an entitlement of 37,500 MI, stock and domestic users, 20,500 MI, and the river, transmission and evaporation losses, 297,000 MI.

On top of this, 50% of the unregulated flow of the Gwydir River and its tributaries below Copeton Dam wall are allocated to the Gwydir wetlands, plus the first 500 MI of unallocated flow per day. Over the last 4 years, the Gwydir wetlands have received 1,360,944 MI or 85.9% of the unregulated flow of the Gwydir River at Pallamallawa.

In agreeing to an ECA, the irrigators in the Gwydir Valley reduced their entitlement allocation and productivity by 37,500 MI per annum. They also reduced their security and income by 5 MI per licenced ha.

In agreeing to an ECA request, originally for 11,000 MI, but increased on the suggestion of the irrigators to 25,000 MI to give some security to the ECA, the irrigation industry had no idea that they would have to pay for the ECA entitlement from the dam, plus the loss of water, in all, 63,000 MI in a year when the full ECA is used. There is no compensating CSO to cover these costs.

In January/February this year, the Wetlands Management sub-committee of the Gwydir River Regulated Management Committee decided to release 25,000 MI from the ECA in Copeton Dam, for the purpose of stock feed production. An amount of 3600 MI was released prior to it raining.

As the whole of the Gingham and Lower Gwydir watercourses are privately owned and are used for grazing and wheat production, we once again protest that they do not pay for any water they receive. Their productivity is high, with little or no cost. They do not contribute to the cost of any of the water operations in the Valley, yet receive all the benefits.

Similarly, the town of Moree benefits very substantially from flood mitigation as well as tourist development. Recreation and fishing are also beneficiaries.

The Medgun Creek Weir Trust, which operated Medgun Weir (built 1946) had a rating system based on area flooded, and there is no reason a similar rating system could not be applied to the watercourse area.

7. TAMP

A. OVERVIEW

The inclusion of a payment by irrigators for the cost of dams, construction, maintenance, refurbishment, improvements including high level release valves, removal and reconstruction, is an anathema to the irrigation industry.

For the same reasons as set out in Section (6), so many beneficiaries other than irrigators get benefit from the construction and maintenance of Copeton Dam, Tareelaro and Boolooroo Weirs, and the ancillary works on effluent streams.

The worst part of the Department of Land and Water Conservation proposition is that it is seeking payment from an existing group of irrigators some 26 years after the completion of Copeton Dam, and 20-odd years after the other regulatory structures.

The government will, if successful, be charging a retrospective tax on existing landholders when those who have received the benefits in the past, together with other non-paying beneficiaries such as the people of Moree, did not contribute, nor will they do so now. No one ever advised any irrigator of the possibility of such a charge, and the implementation of a retrospective charge is as immoral as retrospective legislation.

The statement made on page 6 of the December 1986 Water Conservation and Irrigation Commission paper, Water Pricing for River Pumpers, came to the following conclusion:

3. Component Replacement (Depreciation)

The strategy provides that the costs of past capital investment in dams, weirs and other structures and works will not be recovered through water charges. This recognises the long history of State funding of major works and the ensuing capitalisation of at least part of that investment into the value of irrigation land, much of which may have changed ownership several times since the works were constructed. It also recognises the "public good" conferred by the works in recreation opportunities, flood mitigation, regional economic development flowing from irrigation, and so on.

These words are as correct today as they were then, and for any government department to contemplate such charges on the irrigation industry when people who earn a living in the law courts, schools, hospitals and universities pay no such charge, is totally discriminatory.

There is still an obligation on the Crown to meet its responsibility to the community as a whole.

This is especially so in the case of the Copeton Dam, to which the Commonwealth contributed \$45 million, which has a dodgy spillway, and which has been bereft of maintenance over the last 25 years.

It will be difficult to impose a TAMP charge on other dams in NSW, given that Keepit Dam is to be the beneficiary of \$45 million for refurbishment, enlargement and correction of safety requirements, as required by the Dam Safety Committee in the near future.

The whole principle of TAMP payments is flawed, and the IPART must make it clear to government that the collection of funds under this process will be met with legal challenge.

TAMP charges have not been collected in the past. Any dam or weir that has been built without existing or future beneficiaries knowing that charges will be imposed, must not be retrospectively charged.

Any dam that has been built where agreements have been reached, such as Pindari Dam, should continue as agreed, and any new dam constructed should include wide ranging beneficiary charging schedules agreed to before construction.

The DLWC submission to IPART includes funding to cover the Total Asset Management Programme (TAMP).

The program and process initiated by DLWC is a retrospective capital charge for construction of the asset, the provision of funds to replace the asset at some time in the future, an ongoing maintenance charge based on retrospective neglect of the asset and on expectation that the irrigation industry will pay, not only for the three items above, but also for any future capital improvement not necessarily related to irrigation needs (i.e., thermal release valves).

Irrigators in the Gwydir Valley reject this proposal, not only on the manner in which it effects the Gwydir Valley, but the whole State.

Retrospectivity in any form of taxation, law or usage charge is repayment, and must not be given credence by IPART, let alone the Government of NSW.

B. COPETON DAM

Copeton Dam which opened in 1976, at a cost of around \$90m, was supported by the Commonwealth with a contribution of \$45m.

The dam on its first fill and spill, about 1976, was discovered to have a soft rock spillway, which has since been patched up on several occasions.

Today, full usage of the spillway gates can only be undertaken in an extreme emergency such as a threat to overtopping the main wall. Otherwise, one gate, and preferably two gates, are not used in a spill situation.

C. COPETON DAM MAINTENANCE

The maintenance carried out on the dam has been deplorable, to the extent that holes appeared in the spillway gates, and had to be weld-filled before painting could occur.

Examination of the 30 year forward maintenance program bears this out. (Appendix C, page 2 of 39, DLWC State Water TAMP papers.)

The table for Copeton Dam states that the forward expenditure for 2000/2001 to 2004/2005 will be \$22,350,000
 for 2005/2010 will be 33,305,000.
 -a total for the first 10 years of the program of \$55,655,000
 -an average of \$5,565,500 for the first 10 years.
 The next 20 years attract expenditure of \$8074,000, \$403,700 per year.

DLWC have failed to present consistent figures to their customers, the irrigators.

The TAMP figures presented on 8 April 2001 showed the following costs for Copeton Dam Expenditure from 2000/2001 to 2025/2030 in five-year groupings, in Column 2, on 8 April 2001 together with the variations in the last column.

The figures presented were:

	23/10/00	8/4/01	Increase
2000/2005	\$19,371,700	\$22,350,000	\$2,978,300
2006/2010	30,810,800	33,305,000	2,494,200
2011/2015	1,181,400	1,954,000	772,600
2016/2020	1,334,900	2,266,000	931,100
2021/2025	1,466,000	2,106,000	640,000
2026/2030	1,387,900	1,748,000	360,000
Total	\$55,552,700	\$63,729,000	\$8,176,300

These figures show a variation of 14.7%, far too much to give them any credibility, indeed, so bad as to solicit ridicule.

A comparison of the 1997 minimum 30 year Asset Management Plan by Guthridge Haskins and Davey gives a total Barwon Region expenditure of \$220,030,000, but the figures issued on 8/4/01 show a requirement for 30 years to be \$146,011,000, while the Barwon Region 23/10/00 figures indicate \$127,718,701, a variation 23/10/00 to 8/4/01 of \$18,292,299, 14.2 per cent.

In four years, this indicates a difference of \$74,019,000, or 50.69%. Once again, a lack of consistency in the figures causes concern. Perhaps an incredible amount of maintenance has occurred in the 4 years 1997-2001. There were no figures in the 98/99 99/00 Report from IPART.

We do not challenge the huge requirement for capital works, repairs, and maintenance of all kinds to be undertaken on the structures in the Barwon Region. We do, however, challenge, to the point of ridicule, the insulting proposals being put forward with the expectation that the irrigation industry should pay more than its share.

The tables above, minimal as they are, prove the point of our proposal as set out in the December 1986 Water Conservation & Irrigation Commission Paper as printed on page 1 of this submission.

To expect the irrigators of the Gwydir Valley to accept such a blatant confidence trick begs reality.

The figures as presented in which ever form you want to apply, clearly state that "We, the DLWC, acting on behalf of the Government of NSW, have failed to maintain State assets in dams of this State, and having failed in our duty to the State, we will now impose charges on the irrigation industry to make up for the failures of ourselves and the NSW Government. "

C. BENEFICIARIES

The Department, in all its various titles, has failed to define the beneficiaries or quantify their benefit of their receipts.

The recreation component of Copeton Dam water is free, the only charge is for land-based recreation area facilities. The USA allows up to 30% of the cost of dams for recreation in all its forms, the dam surface, sailing, fishing, boating, water skiing, white water released, canoeing, swimming and downstream boating.

Fishing is a major asset of the Dam. The river system below Copeton Dam has never flowed so much as it has since 1976. Fishing is a major recreational resource. Recreational fishing is only asked to contribute to the cost of re-stocking.

Stock and Domestic water supplied by way of special release (20,500 MI per annum) and the continuous flows throughout the year is of inestimable benefit to the stock owners, wild life, and the watercourse wetland area.

The Watercourse/Wetlands have a special 37,500 MI allocation from Copeton Dam to meet bird breeding events, and recently, to provide stock feed in a dry time. This area also receives the first 500 MI per day of unregulated flow, plus 50 % of total unregulated flows.

It should be noted that there is till no management strategy in place for water used for anything other than irrigation.

D. GWYDIR WATER DISTRIBUTION

Because of the incapacity of the weirs on the Gwydir to divert a flow greater than 11,000 MI, the actual flow to the Watercourse/Wetlands is 80 % , with only 20 % being made available to the effluent streams of the Mehi/Moomin River and the Carole/Gil Gil Creeks.

This water is not automatically available for irrigators to pump, they can only do so with Departmental permission, the environment gets first option.

Over the past four years, the distribution of off-allocation water has been as below:

OFF ALLOCATION WATER DIVERTED BY IRRIGATORS COMPARED TO OFF-ALLOCATION WATER PROVIDED TO THE ENVIRONMENT

Year	96-97	97-98	98-99	99-00	TOTAL
1. Gwydir River to Carole Creek	136,018	252,406	90,289	132,274	610,987
2. Off-Alloc diverted for irrigators to pump from Carole Creek	19,308	33,417	27,017	26,196	105,938
3. Carole Creek water to environment	116,710	218,989	63,272	106,078	505,049
4. Gwydir River to Mehi/Moomin	257,594	460,452	276,808	337,141	1,331,995
5. Off-Allot diverted from Mehi/Moomin	44,600	107,966	21,663	44,051	218,280
6. Mehi/Moomin water to environment	212,994	352,486	255,145	293,090	1,113,715
7. Off-Allot diverted from Lower Gwydir	5,436	7,207	57,415	7,022	77,080
8. Water to Gingham and Lower Gwydir Wetlands	327,443	755,923	113,681	163,897	1,360,944
9. On-allocation diverted	325,634	353,383	226,107	335,293	1,240,417

From this, the conclusions are:

- A. (1) + (4) = 1,942,982 MI available for irrigators to pump.
- B. (2) + (5) + (7) = 401,298 MI - Total irrigators pumped, 20.65% of available water.
- C. (3) + (6) + (8) = 2,979,708 MI to the environment.
- D. (b) (401,298 MI) + (9) = 1,641,715 MI - Total Off-allocation + On-allocation water diverted by irrigators.
- E. 4,621,423 MI - Total water flow, 64.47% to environment, 35.52% to irrigators

The distribution of off-allocation water is therefore 20.65 % to the irrigation industry, and 79.35% to the environment, and yet the environment makes no contribution at all to the Boolooroo and Tareelaro Weirs, the Gingham Weir, Tyreel Weir, Combadello Weir, or to the management of the river system.

With the inclusion of on-allocation water released from the Dam, the percentage diverted by the irrigators over the 4 years 96/97 to 99/00 is 35.52 % . compared to the environment's share of 64.47 % .

Not only the irrigator benefits from Dam releases, but so does the environment, as transmission loss water is added to the irrigators' release, thus ensuring a constant flow in the river system, and water holes not being pumped out.

Once again, we stress that the only beneficiary who pays is the irrigator, yet the environment benefits nearly twice as much.

It will be argued that the CSO provided by the government covers this anomaly. This is untrue. The Government pays an amount of about 38% of the total cost of the management of the river system, not the 62 % that covers the benefits afforded everyone else over the irrigators.

All the above factors point clearly to the 1986 decision of the Water Conservation and Irrigation Commission that the Public Good cannot be defined, and therefore the capital cost of dams, weirs, etc. are a full community contribution to the people of NSW.

That contribution, to meet any reasonable balance between the irrigators and the environment, must not be less than 62¢ CSO, and 35¢ irrigator, in every one dollar of costs, as the page 11 graph so clearly demonstrates.

E. BULK ACCESS REGIME (BAR)

The first task that the Gwydir (Regulated) River Management Committee (GRRMC) must undertake is "to define and manage the amount of water that is available for extraction by licence holders in a particular water management area".

The GRRMC has not yet met, so an amount of water or method of extraction of an amount of undefined water, is not available.

The IPART could well make a decision on the cost per MI for entitlement and diverted water, only to have this figure altered, and as a result, income from it changed.

It is not within IPART's authority to influence the decisions under BAR, but we request a guarantee that should available irrigation water be reduced, the price of water will not be increased to compensate for funding losses to the Department, nor will any provision be made to allow catch up to occur.

Any losses to irrigators must be met by an increased CSO payment, because the loss of water will be a government decision for the benefit of the community.

F. WATER PRICING

The COAG and NSW Government have declared that full cost recovery must be in place by 2001.

The operational costs of the Department in the Gwydir Valley have reached this position, with a net profit for the year ended 30/6/2000 of \$235,295, a figure better than cost recovery, following a profit of \$29,385 to 30/6/1999.

This figure is derived from an operational profit of \$802,007, less a capital cost deficit of \$566,711.

Water user figures for 2000/2001 indicate an income of about \$3.257m, with 3 months to go. Income over the last 3 months is minimal, unless there is a heavy fall of rain, causing off-allocation pumping. This compares with about \$3.09m in 1999/2000.

Currently, there is 802,566 MI (as at 31/3/01) in Copeton Dam, which, without any inflow or off-allocation diversion before 1/10/01, will give 491,000 MI available for on-allocation irrigation in 2001/02, more than the 360,000 MI used in 2000/01.

At least, the first year's profit of the three-year price structure is assured.

The farcical nature of the DLWC figures should be noted by IPART. Profits as notified by State Water:

Year ended ▪	Operating Surplus	Operating Deficit
30/6/99	\$29,385	
30/6/00 (Rec'd 15/2/01)	816,145	
30/6/00 (Rec'd 6/3/01)		\$853,348
30/6/00 (Rec'd 8/4/01)	235,295	

It will be noted that there are vast differences in the figures, which lead to a lack of confidence in State Water and the DLWC.

In the Bulk Water Prices Report by IPART, 1/7/97, page 16, 5.2.3. *SERVICE STANDARDS*, fourth paragraph, IPART states,

The strongest message from these criteria is that DLWC does not have a clear customer service focus.

There has been no change between 1/7/97 and 1 1/4/01. However, the figures do show that the Gwydir Valley is recovering costs, is cost efficient, and does not need an increase above CPI in charges for the next three years to meet its responsibilities for its share of water costs.

The latest figures show an operating surplus to 30/6/00 of \$802,007, with a capital deficit of \$566,711, leaving a net surplus of \$235,295 to 30/6/00.

The Department insists in including other services in the total calculation of costs.

Other services are those costs paid for by the Department for expenses of the Head Office and or other Departments not related to the IPART percentage payments of contribution by government and irrigators. They should have no place in the determination of profit and loss in regard to the operations of the Gwydir Valley.

The total figures should appear in a column after groundwater and other services are listed as 'for information'. No cross additions for the purpose of determining profit and loss should be made. Other service figures should not be associated with regulated, unregulated, or groundwater columns.

We do not accept that Entitlement costs for Surface Water, plus MI diverted charges, should be subsidising groundwater users. Costs to groundwater users are to cover meter readers, licensing, etc. The other costs of research, management, etc. are a full CSO, and should be paid by the community. The government makes no contribution to the provision of groundwater, nor its extraction, and apart from licences and meter readers, the remainder of their work in respect to groundwater is for community benefit.

It is acknowledged that groundwater income to the Department will rise following the adjustments resulting from converting all groundwater licences to a single volumetric base. However, if the contribution to government operation of unregulated flow can be a 162.33 % subsidy, to regulated flow a 638.76 % subsidy, then groundwater should be at least 100%, not the current 34.62 % it receives.

RESOURCE MANAGEMENT

In the 1998/99 - 1999/00 Report, IPART said it would review how the costs were shared in the next review, in 2000/01.

The section 3 of the Department's submission, *Resource Management*, has a number of glaring deficiencies. The first paragraph makes it quite clear that it is the DLWC's opinion that the irrigation industry should pay the *total cost in arresting the widespread natural resource degradation*.

This statement assumes that the irrigation industry is the main cause of environmental degradation, and therefore the irrigator should pay.

Serious irrigation commenced in the Gwydir Valley in 1976. The Gwydir Raft below Moree commenced building up in the 1870's, its build up ceased in years following 1976. Before 1976, the effluent streams of the Gwydir River regularly stopped flowing, and all but the biggest water holes dried up. Massive fish kills through lack of oxygen, blue/green algae outbreaks, dried up river banks, scoured by the next high flow, were common events.

And, yet, in what can only be described as a dishonest attempt to invent a new revenue source, the Department is attempting to cure all the ills of yesteryear by improper, retrospective, charges, on people who are in business today.

The Department claims that salinity and blue/green algae outbreaks are the result of irrigation, and nothing could be further from the truth.

The poor management of water for the environment in the Gwydir Valley has led to environmental problems. Blue/green algae is in Copeton Dam, while the Gwydir Watercourse has 4,000 acres of a W1 class noxious weed, Water Hyacinth, as well as African Boxthorn, Deadly Nighshade (privet) and lippia growing in it.

The effluent river system of the Gwydir, the irrigation carrier streams, have had no funds spent on them since 1980, and are in need of at least some maintenance. They are also essential components of the environment.

The biggest beneficiary of the waters of the Gwydir River/valley is the environment, yet it makes no contribution to the cost of operating and managing the river.

There is no salt in the Gwydir River or its effluents. The salt is in the Tablelands, and will flow into the valley in the future if government continues to fail to manage this problem. (*Ref the Final Report, Project NW 1124.96, Lower Gwydir Irrigation Salinity Risk Assessment, by Dr John Triantafilis, University of Sydney*).

It is not the responsibility of irrigators to pay for the correction of salt problems in the Tablelands.

Appendix 6 indicates a continuation of existing cost sharing in all but Line item PD1, where the Department seeks a 50/50 cost sharing with the irrigation industry.

We reject this proposition on the basis that it is a government introduced increase, occasioned by the new Water Management Act. The involvement of the community is very good, but it is not up to the irrigation industry to pick up the bill.

The proposal condemns itself with the use of the following words, in the description and cost sharing rationale for IPART user cost share:

. . . . *This product is undertaken as a component of government policy.*

. . . . *The main beneficiary of this work is the general community (represented by the State and Federal agencies involved in the administration of water in NSW).*

Let the community and the governments of NSW and Australia pay for it.

This situation is exacerbated by the fact that the irrigation industry only has two representatives out of 18 on River Management Committees, while five Government agencies who do not pay are represented, each with a vote. Our response is simple, pay in accordance with representation.

4. COSTS AND REVENUES

DLWC has not made any staffing numbers or costs available, in respect to DLWC as a whole or any river valley. A staff information Directory was made available by Barwon Region in 1996, but nothing since.

Staff is the biggest non-capital cost faced by the Department, and one that is vital for customer confidence.

There are a great many people in the DLWC, and not all of them relate to the operations of the water industry.

Without an adequate staffing schedule covering Head Office, State Water at Dubbo, and all regional offices, it can only be assumed that the Department is grossly over-staffed, or are doing work for other agencies not supporting irrigation, or opposed to the process of irrigation.

IN-PUT COSTS

The DLWC submission **6.1, Gross Margin Impact** on page 33, taking impact assessments from the Peel and Lachlan Valleys, related only to the regulated supply of water is an unfair and biased approach to costings, and should be discounted.

If it is to be used as an example of capacity to pay, it falls far short of reality.

To use two reasonably reliable water supply river systems as a base for calculations across NSW is incompetent, and as a result this section should be disregarded.

The whole basis of water charging is recovery of the Department's costs in water delivery, on a valley by valley basis. Therefore it is ridiculous to use a lucerne production area, and a vegetable growing area, as a basis to determine cotton growing profitability: they are irrelevant, and this assumption, like most Departmental input into practical farming, lacks a perception of reality.

Increases in net diesel prices of 100 per cent between July 1999 when the price less Rebate was 29.42¢ per litre, and February 2001 when the cost was 58.338¢ per litre, cash prices ex the gin, US\$ to A\$ spot exchange rate, New York futures contract prices (41/34), the odd flood, the odd drought, 38% reliability of regulated flow, nil reliability of unregulated flow, with the environment taking 80 % to the irrigation industry's 20 % , are all factors as relevant to the productivity of an irrigation farm on the Gwydir as the price of water.


All have an impact in the calculations of input costs, and to suggest that the cost of water is less than 1% is unreal.

Departmental officers are not aware of the range of input costs that exist in growing cotton, and to pick figures out of the air as the result of a study into lucerne growing on the Peel River or vegetable growing on the Lachlan, is inconceivable.

It is almost as relevant as comparing the cost of a ML of water for irrigation use to the cost of a ML of water in Sydney for domestic use, and culpably misleading.

We suggest that the DLWC stick to being accountable for balancing their own books before trying and failing to become irrigators.

Yours faithfully,


Dick BROWNE
VICE CHAIR
Fcr.

John Seery
Chairman.