

29<sup>th</sup> November 2010

Mr James Cox  
Chief Executive Officer  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

**BEGA CHEESE**  
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Dear Mr Cox,

**RE: Submission to IPART on NSW Office of Water (NOW) Draft Report October 2010**

Bega Cheese represents all the dairy farm irrigators on the Far South Coast which is impacted by the Draft Pricing Determination for NOW. In summary we have found the proposed price increase for the South Coast regulated Brogo River system to be excessive and far from reasonable. We are still at a loss as to how NOW have allocated costs to the Brogo, what they do for that system, the cost sharing with SWC on certain operational issues and the allocation of common costs. This is due to the limited detail in their submission, especially well presented detail on operating expenditure, the limited valley by valley data for analysis, the focus on activity rather than an outcome focus, no means to measure efficiency and a lack of justification for the significant price increases that have now been proposed. Because there is no clear evidence to justify this increase we now struggle to understand IPARTS decision to impose a 73% increase.

Excluding the other coastal dam, the South Coasts Brogo River water pricing is approximately double that of the next most expensive water. No ability to pay study was conducted on the NOW price increase by IPART and we completely reject the notion that a 73% increase can be accommodated by users. No evidence is available to suggest that farming in this valley is more profitable and therefore users are able to accommodate water at the proposed pricing.

The RMCG consultant report on Ability to Pay for SWC pricing did make it clear that full cost recovery would have significant negative impacts on farm profitability in the South Coast, but the report did not determine what an acceptable level of impact was. Again we ask on what basis was it determined that this massive increase was reasonable? Without a comprehensive and credible investigation on the impact on users on the South Coast regulated river we again restate our request for the price to be Capped at 5%.

When you combine the NOW pricing with that of the recently released SWC pricing (see table below) it makes the South Coast regulated water price excessive. This

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determination only increases our long term fears that successive pricing reviews will continue to push for full cost recovery. The users concerns on the South Coast have not changed. Farmers are reluctant to borrow and invest in improved irrigation infrastructure at significant cost and long pay back periods when no security on water pricing exists due to the threat of full cost recovery in subsequent determinations.

**IPART DRAFT DETERMINATION (NOW)  
PROPOSED PRICE CHANGES - REGULATED RIVERS**

VALLEY	Bill per ML on entitlement Year ending June					Increase from 2010 to 2014 (%)	
	2010	2011	2012	2013	2014	IPART	Increase in \$ terms
Border	2.31		2.78	2.94	2.99	29%	\$0.68
Gwydir	1.21		1.45	1.72	1.76	45%	\$0.55
Namoi	2.13		2.55	3.06	3.55	67%	\$1.42
Peel	1.74		2.09	2.51	3.01	73%	\$1.27
Lachlan	1.39		1.66	2.00	2.40	73%	\$1.01
Macquarie	1.56		1.87	2.24	2.55	64%	\$0.99
Murray	1.63		1.85	1.90	1.93	19%	\$0.30
Murrumbidgee	1.22		1.46	1.55	1.58	30%	\$0.36
North Coast	3.17		3.80	4.56	5.48	73%	\$2.31
Hunter	2.04		2.44	2.93	3.52	73%	\$1.48
South Coast	3.73		4.48	5.37	6.45	73%	\$2.72

**SWC Final Determination. (Note add CPI)**

Entitlement						Bill Impacts	Increase in \$ terms
South Coast	6.24	7.05	7.75	8.53	9.38	46%	\$3.14

**Usage**

South Coast	24.96	28.19	31.01	34.11	37.53	46%	\$12.57
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**Combined Total per ML**

South Coast	34.93		43.24	48.01	53.36	53%	\$18.43
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This pricing determination is of critical importance to Bega Cheese and the financial survival of our farmers and we would appreciate serious consideration on applying a pricing model that is reasonable and affordable.

If you have any questions please do not hesitate to contact me on 0419 248 740.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Richard Parbery' with a stylized flourish at the end.

Richard Parbery  
Deputy Chairman – Bega Cheese