



National Irrigators' Council

Level 2, NFF House, 14-16 Brisbane Ave
Barton ACT 2600

Ph: 02 6273 3637
ABN: 92133308326

Ian Hayes
Water Market Section
Water Policy Branch
Department of the Environment, Water, Heritage and the Arts
GPO Box 787
CANBERRA ACT 2601

Via email

Friday, September 10, 2010

Dear Mr Hayes,

Thank you for the opportunity to comment on the proposed *Water Charge (Infrastructure) Rules 2010*.

The National Irrigators' Council represents irrigators in all four Murray Darling Basin states, including the member owned infrastructure operators in NSW and South Australia. Those operators will likely make submissions of their own and we will leave the detail of the proposed regime and how it will affect their businesses to them.

The NIC does not support the introduction of these Rules. NIC has previously expressed a frustration to government and the Australian Competition and Consumer Commission at the proliferation of rules, regulations and requests for information that are weighing down the irrigation sector. We see these Rules as yet another addition to this growing red tape burden.

As a Council, we are very concerned that these Rules will add more costs to irrigation infrastructure operators and that these costs will be passed on to individual irrigators for very little if any benefit.

Our fundamental objection to the Rules is that neither the government nor the ACCC have put forward a compelling case as to why they are needed. The explanatory line that the rules are aimed at "*encouraging efficient use of water resources and infrastructure*" is not, in our view, sufficient justification for the extra red tape and intrusion into private businesses that the rules entail.

We are satisfied that the very nature of private ownership, in South Australia and NSW, and the existing regulatory frameworks at state level in Victoria, NSW and Queensland provide adequate oversight of charging policies.

Our member companies and trusts have a generally positive relationship with their customers and the processes for setting their charges are open and transparent. NIC has not been approached by a single irrigator with complaints about the charging practices of the companies and trusts. In any event, their structure will generally ensure that concerns are addressed through board decisions, elections or AGMs.

This is not to say that individual irrigators – the customers – are completely happy with the level of charges imposed on them of course. But our concern is that these Rules, rather than making things better for irrigators, will add to the significant compliance burden already imposed upon operators and these costs will necessarily be passed through to customers – our members.

We are aware that one of our members is incurring costs of more than \$500,000 per annum simply to accommodate the requests for information and compliance with rules introduced by government – predominantly the Commonwealth – in the past few years. Naturally these costs have to be passed through to customers.

We are also concerned at the requirement for the development of five year network service plans which we believe are unrealistic and a significant intrusion into private business that would not be tolerated elsewhere in the Australian economy.

Our members make the point that to make five-year planning decisions relating to charges and networks is unrealistic given the highly variable and unpredictable nature of their businesses. Irrigation corporations have no control over the weather, government policy, Commonwealth buyback of entitlements, the development of the Basin Plan and potential sub-system retirements etc. Each of these elements makes it extremely difficult to plan to a five year time frame as proposed. We note that even governments limit themselves to a four-year forward estimates period.

We have seen no evidence to suggest that the standard business planning and budgeting that all of our members undertake as a matter of good practice is in any way deficient.

Our members are concerned that the requirement to provide charges and network upgrades for such a long window could lead to unrealistic expectations among their customers and potentially the risk of compensation claims if NSPs are changed or proposed works are not delivered. Given the current uncertainty over future water policy, the likelihood of a continual change in the next few years is high.

On a more positive note, we welcome the government's decision to allow the accreditation of state agencies for making approvals or determinations relating to charges. This is a common sense outcome.

In short, it is our view that these rules should be abandoned. At the very least, we expect the government to give a much clearer explanation of why these rules are needed and how they will provide any net benefit to our members.

Yours sincerely

Danny O'Brien
Chief Executive Officer