

Public Submission
to
The Essential Services Commission
by
United Dairy Farmers of Victoria, District Council 3
On
May 2008

United Dairy Farmers of Victoria – District Council 3:

The United Dairy Farmers of Victoria District Council 3 is made up of UDV branches from Benalla, Cobram, Katandra, Invergordon, Katunga, Nathalia and Strathmerton.

We source our water from the Murray, Goulburn and Broken systems and therefore have provided comment on concerns relating to these systems.

We are all volunteers within the District Council and work to further the issues of our local dairy farming community.

Contact Person:

Natalie Akers
UDV District Council 3 Secretary
435 Victoria Road,
TALLYGAROPNA, VIC, 3634
Mob) 0408 323 531

INTRODUCTION:

The Northern Victorian Dairy Industry:

Northern Victoria is the largest dairying region in Australia which produces 22% of the nation's milk¹.

Dairy farmers across Northern Victoria use 67% of the water² and are therefore actively involved in any water pricing decisions that may impact on their access to water.

A strong and confident dairy industry will be essential if the region is to maintain its economic and agricultural performance into the future. Therefore any decisions by the Essential Services Commission that influence water prices must also have a strong focus on ensuring the viability of the region's dairy industry.

The United Dairy Farmers of Victoria, District Council (DC) 3 is pleased for the opportunity to provide a submission to the Essential Services Commission. While the "2008 Water Price Review, Regional and Rural Businesses Water Plans 2008-2013- Draft Decision³" examines all water authorities across the state, our comments relate purely to Goulburn-Murray Water.

Our comments are outlined overleaf.

¹ Dairy Australia, *Dairy 2007- Situation & Outlook*, Pg 69

² GMW, "G-MW Water Plan 2006-07-2007-08", Pg 17.

³ Essential Services Commission, *2008 Water Price Review, Regional and Rural Businesses Water Plans 2008-2013 – Draft Decision*", March 2008

1) WATER PRICING:

- **Price Approvals & the Advanced Maintenance Program:**

UDV District Council 3 welcome's the Essential Services Commission's (ESC) decision to:

"only approve prices for Goulburn-Murray Water's gravity irrigation and drainage services provided in gravity irrigation districts for 2008-09.....due to the uncertainty and funding arrangements of the Foodbowl Modernisation Project"⁴

District Council 3 questions the ESC's approval process of Goulburn-Murray Water's Advanced Maintenance Program (AMP) funding arrangements for 2008-09. While we acknowledge that G-MW has reduced AMP funding as a result of the Foodbowl Modernisation Project, we still cannot understand why \$2.7 million is to be spent in the Central Goulburn Irrigation region for 2008/09⁵. The Central Goulburn district is the irrigation region receiving the largest portion of infrastructure upgrades as part of the Foodbowl Modernisation, yet is also receiving the largest AMP spend out of the irrigation regions.

Recommendation 1:

That the ESC provides greater scrutiny of all AMP funding.

- **Reduction in Water Charges:**

Our DC strongly believes that channel automation must not result in increased costs to customers. As the end user the dairy industry must remain profitable to ensure its viability and water efficiency both on-farm and delivery system must increase profitability rather than decrease. As the Foodbowl Modernisation Project progresses we believe the ESC must ensure water prices decrease.

Recommendation 2:

That the ESC ensure water prices decrease as a result of modernisation.

- **Termination Fees:**

Our District Council supports the use of termination fees as a way of protecting remaining farmers from increased charges and stranded assets when water is traded out of irrigation districts.

However, the funds collected from termination fees must be quarantined within the district to ensure there is no increase in charges to remaining irrigators. The fees must not be allowed to disappear into consolidated revenue.

Recommendation 3:

That the ESC ensures that termination fees are accounted for separately and not included in consolidated revenue.

⁴ Essential Services Commission, 2008 Water Price Review, Regional and Rural Businesses Water Plans 2008-2013 – Draft Decision", March 2008 Pg. xxvi

⁵ Goulburn Murray Water, "2008 Water Plan", 8 October 2006, Pg 104

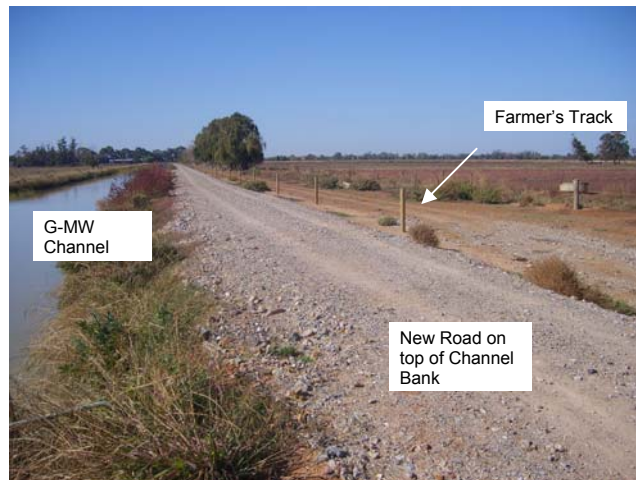
- **Occupational Health and Safety issues impacting on water price:**

G-MW is making a number of maintenance investments to address potential occupational health and safety (OHS) issues on channel systems. While DC 3 supports G-MW dealing with OHS issues, it does not support excessive spending on OHS when cheaper alternatives are available. This issue is clearly highlighted in the example below:

G-MW has an easement on a farm that is owned by a member of our District Council in the Murray Valley Irrigation District. Running alongside the channel is the farmer's track, which is also within the easement and has been used by G-MW staff for over 50 years.

A potential OHS issue was identified with the G-MW bailiff having to stop on the road to open the gate to gain access to the farmer's track. The farmer suggested the gate be moved further up the track so the bailiff did not have to stop on the road.

Unfortunately G-MW did not adopt the cheaper alternative of moving the gate, but rather spent significant amounts of money on gravel and other earth works for a new track on the channel bank.



DC 3 believes there is a lack of rigour in G-MW's OHS spending and will impact on farmer's water prices. Furthermore, DC 3 questions whether the bailiffs will be any safer given they are now driving on top of the channel bank.

Recommendation 4:

That the ESC investigates G-MW's OHS spending and its potential to impact on water prices.

- **Headwork's Charges:**

Our District Council notes with interest that the ACCC has recently described water for the environment as a "public good", the paper also goes onto say that:

"benefits generated from the good cannot be confined to those who are willing to pay for the provision of this good".

Our District supports the ACCC's position on this issue and has developed an issues paper to the Victorian Government highlighting inequalities imposed on the farming community regarding environmental water (see Appendix A for a copy of the paper).

⁶ Australian Competition & Consumer Commission, "Water Market Rules Issue Paper", April 2008, Pg 11

Unfortunately the storage/headwork's charges of environmental water are currently being met by irrigators in Northern Victoria. (For further information see Appendix A)

Farmers across Northern Victoria are currently paying over \$2.5 million to store existing environmental water and look set to pay an additional \$1 million in increased charges due to new infrastructure projects that will deliver further water to the environment. Furthermore, if Government is going to enter the market to secure water for the environment then farmers cannot be expected to meet the cost of storing it.

We believe the beneficiary principle should apply to environment water, this being that given environmental water provides a community benefit then the community should pay.

The previous Commonwealth Government agreed to fund the headwork's charges of environmental water; and the new Labor Government has made some verbal commitments.

Recommendation 5:

That the ESC remove the burden of the farming community having to fund the storage of environmental water and ensure the Victorian Government meets these costs.

- **Environmental Levy:**

The Environmental Levy was introduced in 2004 through the *Water Industry (Environmental Contributions) Act*. The levy targets all water users (rural and urban) to meet costs associated with managing environmental water. The Government is also required under the Act to review environmental contributions every four years. (For further information see Appendix B).

This review is due to occur prior to 1st July 2008 and a determination will be made as to whether the levy will remain at 5% of urban water authority's revenue and 2% of rural water authority's revenue.

G-MW's *Water Plan* and the ESC's *Draft Decision* fail to make mention of the Environmental Levy. Obviously any adjustment to the levy will impact on water prices.

Furthermore our research shows that the Victorian Government have failed to spend \$27 million of the environmental levy over the past 3 years.

Recommendation 6:

That the ESC investigates the Victorian Government's spending of the Environmental Levy.

SERVICE LEVELS & STANDARDS:

- **Core Rural Service Standards:**

District Council 3 notes the Core Rural Service Standards⁷ proposed by the ESC and the fact that each rural water authority has the flexibility to propose their own service levels or targets.

G-MW failed to meet a number of key performance indicators they proposed for 2006/07, see below:

WATER TRADE PROCESSING⁸: Indicator	2006/07 TARGET	2006/07 ACTUAL	TARGET ACHIEVED
Processing of Temporary Transfer of Water entitlement within 5 days	100%	90%	X
Processing of Permanent Transfer of Water entitlement – for applications not requiring a channel capacity and salinity assessment or diversions inspection within 15 days	92%	80%	X
Processing of Permanent Transfer of Water entitlement – for applications requiring a channel capacity and salinity assessment or diversions inspection within 30 days	92%	50%	X
Processing of Permanent Transfer of Water Entitlement – Diversions Licenses within 10 days	92%	50%	X
LEAKS RESPONDED TO WITHIN AGREED TIMES⁹:: Irrigation Region	2006/07 TARGET	2006/07 ACTUAL	TARGET ACHIEVED
Shepparton	87%	97%	✓
Central Goulburn	96%	81%	X
Rochester	96%	90%	X
Pryamid-Boort	96%	84%	X
Murray Valley	82%	73%	X
Torrumbarry	90%	-	X
NO UNPLANNED SUPPLY FAILURES LONGER THAN 24 HOURS¹⁰:: Irrigation Region	2006/07 TARGET	2006/07 ACTUAL	TARGET ACHIEVED
Shepparton	0	0	✓
Central Goulburn	0	0	✓
Rochester	0	0	✓
Pryamid-Boort	0	3	X
Murray Valley	0	2	X
Torrumbarry	0	4	X

District Council 3 believes there is a significant gap in the ESC's draft report as it does not address G-MW failure to meet its targets. The inability of G-MW to meet these targets

⁷ Essential Services Commission, 2008 Water Price Review, Regional and Rural Businesses Water Plans 2008-2013 – Draft Decision”, March 2008, Pg. 32

⁸ Goulburn Murray Water, “2008 Water Plan”, 8 October 2006, Pg 12.

⁹ Goulburn Murray Water, “2008 Water Plan”, 8 October 2006, Pg 9

¹⁰ Goulburn Murray Water, “2008 Water Plan”, 8 October 2006, Pg 9

impacts on farmer's ability to manage their farm businesses. In times of drought and greater water trading, processing time of water trade applications is vital in managing an uncertain climate. Similarly when farmers are facing severe water shortages G-MW should be responding to leaks in agreed timeframes to reduce wastage. Unfortunately they failed to meet these targets in 5 out of 6 irrigation districts.

Recommendation 7:

That the ESC investigates G-MW's inability to meet a large number of its key performance indicators.

- **Guaranteed Service Levels (GSLs):**

We note that some urban water authorities have established GSL's which will require their business to:

"Identify GSL events and automatically provide a rebate to the affected customer".

We believe that G-MW must face some ramifications for failing to meet its KPI's. The adoption of GSL's within G-MW would help to deal with this issue. Farmers would therefore be compensated when G-MW fails to meet its targets.

Recommendation 8:

That the ESC set guaranteed service levels for rural water authorities.

- **Culture of Goulburn-Murray Water:**

Farmers remain very sceptical of G-MW's ability to adequately address the needs of its customers.

For example Coleambally Irrigation in New South Wales is one-fifth the size of G-MW and employs a little over 30 staff, where as G-MW employs 700. DC 3 believes G-MW is reluctant to provide an efficient delivery of services to its customers as it may threaten existing jobs.

Farmers see no commercial pressure or competitive rigour within G-MW to create a cultural change.

Recommendation 9:

That the ESC investigate the competitive rigor and cultural issues within G-MW.

BIBLIOGRAPHY:

Australian Competition & Consumer Commission, "*Water Market Rules Issue Paper*", April 2008

Dairy Australia, *Dairy 2007- Situation & Outlook*

Essential Services Commission, *2008 Water Price Review, Regional and Rural Businesses Water Plans 2008-2013 – Draft Decision*", March 2008

Goulburn Murray Water, "2008 Water Plan", 8 October 2006

Goulburn Murray Water, "G-MW Water Plan 2006-07-2007-08"

APPENDIX A:

Environmental Headwork's Charges An Inequity to Resolve:

INTRODUCTION:

In 2004 the Victorian Government introduced legislation which established the Environmental Water Reserve (EWR), which is water set aside for the environment. Unfortunately, they also introduced a policy which saw the environment not have to pay the storage (headwork's) costs associated with this water, and the costs associated with this storage is currently being met by farmers, despite this water providing a benefit to the whole community.

New upgrades to irrigation infrastructure will see the EWR increase and so to will the costs to farmers having to pay these headwork's charges. Farmers across Northern Victoria are currently paying over \$2.5 million to store existing environmental water and look set to pay an additional \$1 million in creased charges due to new infrastructure projects that will deliver additional water to the environment.

This inequitable situation could easily be resolved if the Victorian Government accessed funds from it's Environmental Levy. The levy targets all water users (rural and urban) to meet costs associated with managing environmental water. Of the 165 million collected through the levy over the past 3 years only, 138 has been spent. \$27 million remains unaccounted for and clearly could be used to fund environmental headworks.

ENVIRONMENTAL WATER RESERVE (EWR):

In 2005, the Water (Resource Management) Act was passed which saw the creation of the Environmental Water Reserve. The EWR is the legal term used to describe the amount of water set aside by law to meet environmental conditions through:

- Statutory environmental entitlements (such as a volume of water held in storage)
- Conditions on bulk entitlements, licenses and permits,
- The establishment of limits to diversions.

Water gained for the environment through infrastructure upgrades and other works are added to the Environmental Water Reserve.

CHARGES FOR THE MANAGEMENT OF THE ENVIRONMENTAL WATER RESERVE

The Victorian Government's White Paper in 2004 set out the following in regards to charges for the EWR.

"where the Environmental Water Reserve is provided as a bulk entitlement for the environment through a bulk entitlement conversion process, there will be no headwork's charge;"

"where the Environmental Water Reserve is provided as a non-tradeable entitlement or through conditions or rules attached to a consumptive bulk entitlement, there will be no headwork's charge¹¹;"

However, the cost of storing this water must still be met and unfortunately this leaves those remaining customers having to meet the costs of storing the environment's share. More importantly this creates an inequitable situation where farmers have to pay headwork's charges for environmental water when it provides a benefit to the entire community, not just agriculture.

THE BENEFICIARY PAYS PRINCIPLE:

Clearly, the costs associated with storing environmental water provide a benefit to the whole community. Under the beneficiary pays approach, the people that benefit from the activities pay for the costs of those activities.

In February 1994 the Council of Australian Governments agreed that an Expert Group be established to report on asset valuation methods and cost recovery definitions for the Australian Water Industry. The Expert Group produced pricing guidelines that were endorsed by ARMCANZ¹² Minister and Senior Officials.

The Expert Group agreed that where the implementation of new resource management initiatives benefited the wider community, then:

"these costs would be borne by government¹³".

Even Environmental Bodies such as the Wentworth Group agree that:

"the current generation of farmers are not responsible for all the damage that has been done to our landscape over the past 200 years, and that if Australia wants this damage repaired, all Australians should be prepared to provide the financial assistance to help achieve this outcome."¹⁴

Water stored to increase environmental flows benefits a number of parties, not just

¹¹ Victorian Government, 2004 "Securing Our Water Future Together White Paper", Pg 65.

¹² Agriculture and Resource Management Council of Australian and New Zealand

¹³ Expert Group 1995, "Report of the Expert Group on Asset Valuation Methods and Cost-Recovery Definitions for the Australian Water Industry, Pg. 45)

¹⁴ Wentworth Group 2002, "Blueprint for a Living Continent: A Way Forward from the Wentworth Group of Concerned Scientists".

agriculture, these include:

- 1) The Australian community by reducing the pace of environmental degradation and preserving biodiversity and providing other environmental benefits;
- 2) The local community by maintaining the long term environmental health of the region,
- 3) Industries that rely on long term environmental health, for example fishing and tourism;

More recently, the Victorian Government acknowledged in their Northern Sustainable Water Strategy Discussion Paper that:

“the EWR also provides for other community benefits including the recreation and tourism, social and heritage, and economic values which are dependent on the environmental condition of rivers¹⁵”.

Therefore while the Victorian Government acknowledges the community benefits from the EWR, the cost of storing the water is inequitably being met by farmers rather than the whole community.

This inconsistency within Government policy clearly must be resolved.

EXAMPLE: WIMMERA MALLEE PIPELINE:

The piping of the Wimmera Mallee stock and domestic system is projected to save 80 000 ML of water. Under a new piped system a number of reservoirs and in-stream diversion structures that store water will no longer be required. Grampians Wimmera Mallee Water is currently involved in a community consultation process to review its bulk water supply reservoirs and in-stream assets. While parts of the agricultural sector see little benefit in maintaining these assets, other sectors of the community see the need for these to remain for environmental reasons.

It is inequitable to expect farmers who are already contributing over \$150 million to the cost of the pipeline to then fund the cost of storing environmental water in assets that are not required under a piped system.

EXISTING ENVIRONMENTAL ENTITLEMENTS IN THE NORTHERN REGION¹⁶:

¹⁵ Victorian Government, 2008, “Northern Region Sustainable Water Strategy Discussion Paper”, Pg 29

¹⁶ Victorian Government, 2008, “Northern Region Sustainable Water Strategy Discussion Paper”, Pg 30

River System	Volume of Entitlement (ML)	Comments	Storage Cost per ML	Storage Charge Total
Murray	99,000	Living Murray Bulk Entitlement	\$6.17	\$610,830.00
	27,600	Flora and Fauna Bulk Entitlement	\$6.17	\$170,292.00
	75,000	Part of Barmah-Milleawa Forest Environmental Water Allocation	\$6.17	\$462,750.00
Goulburn	30,000	Goulburn Murray Bulk entitlement (Water Quality)	\$4.92	\$147,600.00
	221,000	Goulburn Murray Bulk Entitlement	\$4.92	1,087,320.00
Campaspe	5000	Campaspe Bulk Entitlement	\$4.92	\$24,600.00
Loddon	2000	Loddon Bulk Entitlement	\$4.92	\$9840.00
TOTAL	459,600 ML			\$2,513,232.00

ADDITIONAL ENVIRONMENTAL ENTITLEMENTS:

A number of other water infrastructure projects are proposing to return water savings to the environment. Some of these include:

Project	Volume of Entitlement ML	Storage Cost per ML	Storage Charge Total
Decommission Lake Mokoan	53,000	\$4.92	\$260,760.00
Shepparton Modernisation	38,000	\$4.92	\$186,960.00
Foodbowl Project	75,000	\$4.92 ¹⁷ - \$6.17	\$369,000.00 \$462,750.00
Wimmera Mallee Pipeline	80,000	No per ML storage cost available	Unable to calculate storage charge
TOTAL	246,000 ML		\$816,720.00 \$910,470.00

The tables above identify over 700,000 megalitres of water either allocated or earmarked for the environment. This means that farmers are currently meeting the \$2.5 million shortfall for storing water for the environment and similarly face close to \$1 million in future charges for storing additional environmental water.

As highlighted earlier, increased water for the environment benefits the whole community. It

¹⁷ It is difficult to determine the exact figure for storing environmental savings made as part of the Foodbowl Project given storage costs for the Murray and Goulburn systems differ.

remains totally inequitable for farmers to have to fund the costs associated with storing this water. Further, the Victorian Government created an environmental levy in 2004, to meet increased environmental costs and yet the levy has not been used to fund the costs associated with storing environmental water.

WHAT IS THE VICTORIAN ENVIRONMENTAL LEVY?

The Victorian Government in 2004 introduced the *Water Industry (Environmental Contributions) Act*.

Section 194 states that the purpose for the collection of contributions is to:

- a) *promote the sustainable management of water; or*
- b) *address adverse water-related environmental impacts.*
- c)

The “*Securing our Water Future Together White Paper*” states that:

“For an initial period commencing 1 October 2004 and ending 30 June 2008, approximately \$225 million will be raised, with all of this revenue being used to fund water related initiatives that seek to promote the sustainable management of water and to address adverse impacts to the environment associated with its use. This is likely to increase prices by an average of five per cent for urban water customers and two per cent for rural customers¹⁸”

In commenting on the Environmental Levy, the Victorian Government states:

“to apportion the responsibility for the degradation and damage of our natural ecosystems to certain sections of the community would be unjust and inequitable, thus the decision that all water authorities should make a contribution to the costs of repairing and managing our environmental assets¹⁹”.

Schedule 4 of the *Water Industry (Environmental Contributions) Act 2004* sets out the amount required from each water authority each financial year. The Government has collected over \$165 million over the past 3 years, but only spent \$138 million, \$27 remains unaccounted for and clearly could be used on funding the headwork's charges of environmental water. (For further detail see Appendix A)

WHAT HAPPENS IN OTHER STATES?

In New South Wales, Queensland and South Australia the Government's fund the cost of storing all environmental water.

WHAT ABOUT THE FEDERAL GOVERNMENT?

¹⁸ Victorian Government, 2004 “*Securing Our Water Future Together White Paper*”, Pg 129

¹⁹ Victorian Government, 2006, Submission to the Productivity Commission – Rural Water Use and the Environment: the Role of Market Mechanisms.

Despite a number of outstanding problems with the Federal Water Plan, one issue the VFF did resolve with the former Howard Government was the payment of headwork's charges for environmental water. The former Water Minister, Malcolm Turnbull confirmed in writing that:

"The Australian Government will pay the standard charges for water entitlements that it holds. Water savings held as entitlements by irrigators or irrigation water providers will also need to pay those charges"

The new Federal Government is yet to confirm if they will honour this commitment.

LET'S USE THE ENVIRONMENTAL LEVY AS IT WAS INTENDED:

This paper has been developed to highlight the inequities associated with farmers having bear the costs associated with storing environmental water.

We believe a solution to this problem is already available but not yet realized. The environmental levy was created to promote the sustainable management of water and address adverse water-related environmental impacts. Given that \$27 million remains unaccounted for, it is very clear there is the potential for Government to fund the headwork's charges of environmental water.

We call on the Victorian Government to acknowledge this inequity and use the environmental levy to fund costs associated with storing environmental water.

APPENDIX A:

Schedule 4 Water Industry (Environmental Contributions) Act 2004:

	AUTHORITY	2004-05	2005-06	2006-07	2007-08
1.	Barwon Region Water Authority	\$2 760 000	\$3 680 000	\$3 680 000	\$3 680 000
2.	Central Gippsland Region Water Authority	\$1 520 000	\$2 030 000	\$2 030 000	\$2 030 000
3.	Central Highlands Region Water Authority	\$1 140 000	\$1 510 000	\$1 510 000	\$1 510 000
4.	City West Water Limited	\$7 660 000	\$10 220 000	\$10 220 000	\$10 220 000
5.	Coliban Region Water Authority	\$1 270 000	\$1 740 000	\$1 740 000	\$1 740 000
6.	East Gippsland Region Water Authority	\$440 000	\$590 000	\$590 000	\$590 000
7.	First Mildura Irrigation Trust		\$100 000	\$100 000	\$100 000
8.	Gippsland and Southern Rural Water Authority		\$210 000	\$210 000	\$210 000
9.	Glenelg Region Water Authority	\$170 000	\$230 000	\$230 000	\$230 000
10.	Goulburn Valley Region Water Authority	\$1 130 000	\$1 500 000	\$1 500 000	\$1 500 000
11.	Goulburn-Murray Rural Water Authority				\$1 240 000
12.	Grampians Wimmera Mallee Water Authority	\$790 000	\$1 240 000	\$1 240 000	\$1 240 000
13.	Lower Murray Urban and Rural Water Authority	\$600 000	\$980 000	\$980 000	\$980 000
14.	Melbourne Water Corporation		\$6000	\$6000	\$6000
15.	North East Region Water Authority	\$890 000	\$1 180 000	\$1 180 000	\$1 180 000
16.	Portland Coast Region Water Authority	\$170 000	\$230 000	\$230 000	\$230 000
17.	South East Water Limited	\$11 340 000	\$15 120 000	\$15 120 000	\$15 120 000
18.	South Gippsland Region Water Authority	\$400 000	\$530 000	\$530 000	\$530 000
19.	South West Water Authority	\$470 000	\$670 000	\$670 000	\$670 000
20.	Western Region Water Authority	\$970 000	\$1 300 000	\$1 300 000	\$1 300 000
21.	Westport Region Water Authority	\$340 000	\$450 000	\$450 000	\$450 000
22.	Yarra Valley Water Limited	\$12 540 000	\$16 720 000	\$16 720 000	\$16 720 000
TOTAL COLLECTED FROM WATER AUTHORITIES:		\$44.6 million	\$60.236 million	\$60.236 million	\$61.476 million
ACTUALLY SPENT (As detailed in DSE's Annual Reports)		\$44.6 million ²⁰	\$48.562 million ²¹	\$44 million ²²	Annual Report not complete

²⁰ Department of Sustainability and Environment Annual Report 2004-05, Appendix 16, Pg 163

²¹ Department of Sustainability and Environment Annual Report 2005-06, Appendix 17, Pg 232

²² Department of Sustainability and Environment Annual Report 2006-07, Appendix 21, Pg 167

BIBLIOGRAPHY:

Agriculture and Resource Management Council of Australian and New Zealand Expert Group 1995, *“Report of the Expert Group on Asset Valuation Methods and Cost-Recovery Definitions for the Australian Water Industry*

Department of Sustainability and Environment Annual Report 2004-05, Appendix 16,

Department of Sustainability and Environment Annual Report 2005-06, Appendix 17’

Department of Sustainability and Environment Annual Report 2006-05, Appendix 21

Victorian Government, 2008, “Northern Region Sustainable Water Strategy Discussion Paper”, Pg 29

Victorian Government, 2006, Submission to the Productivity Commission – Rural Water Use and the Environment: the Role of Market Mechanisms.

Victorian Government, 2004 *“Securing Our Water Future Together White Paper”*

Wentworth Group 2002, *“Blueprint for a Living Continent: A Way Forward from the Wentworth Group of Concerned Scientists”*.

APPENDIX B:

Environmental Levy Time for a Review

INTRODUCTION:

The Environmental Levy was introduced in 2004 through the *Water Industry (Environmental Contributions) Act*. The levy targets all water users (rural and urban) to meet costs associated with managing environmental water. The Government is also required under the Act to review environmental contributions every four years.

This review is due to occur prior to 1st July 2008 and a determination will be made as to whether the levy will remain at 5% of urban water authority's revenue and 2% of rural water authority's revenue.

We believe that there should be no further increase to the levy, given that \$27 million remains unspent.

WHAT IS THE VICTORIAN ENVIRONMENTAL LEVY?

The Victorian Government in 2004 introduced the *Water Industry (Environmental Contributions) Act*.

Section 194 states that the purpose for the collection of contributions is to:

- d) *promote the sustainable management of water; or*
- e) *address adverse water-related environmental impacts.*

The "*Securing our Water Future Together White Paper*" states that:

"For an initial period commencing 1 October 2004 and ending 30 June 2008, approximately \$225 million will be raised, with all of this revenue being used to fund water related initiatives that seek to promote the sustainable management of water and to address adverse impacts to the environment associated with its use. This is likely to increase prices by an average of five per cent for urban water customers and two per cent for rural customers²³"

²³ Victorian Government, 2004 "*Securing Our Water Future Together White Paper*", Pg 129

Schedule 4 Water Industry (Environmental Contributions) Act 2004:

Schedule 4 of the Water Industry (Environmental Contributions) Act 2004 sets out the amount required from each water authority across the State. See below:

	AUTHORITY	2004-05	2005-06	2006-07	2007-08
1.	Barwon Region Water Authority	\$2 760 000	\$3 680 000	\$3 680 000	\$3 680 000
2.	Central Gippsland Region Water Authority	\$1 520 000	\$2 030 000	\$2 030 000	\$2 030 000
3.	Central Highlands Region Water Authority	\$1 140 000	\$1 510 000	\$1 510 000	\$1 510 000
4.	City West Water Limited	\$7 660 000	\$10 220 000	\$10 220 000	\$10 220 000
5.	Coliban Region Water Authority	\$1 270 000	\$1 740 000	\$1 740 000	\$1 740 000
6.	East Gippsland Region Water Authority	\$440 000	\$590 000	\$590 000	\$590 000
7.	First Mildura Irrigation Trust		\$100 000	\$100 000	\$100 000
8.	Gippsland and Southern Rural Water Authority		\$210 000	\$210 000	\$210 000
9.	Glenelg Region Water Authority	\$170 000	\$230 000	\$230 000	\$230 000
10.	Goulburn Valley Region Water Authority	\$1 130 000	\$1 500 000	\$1 500 000	\$1 500 000
11.	Goulburn-Murray Rural Water Authority				\$1 240 000
12.	Grampians Wimmera Mallee Water Authority	\$790 000	\$1 240 000	\$1 240 000	\$1 240 000
13.	Lower Murray Urban and Rural Water Authority	\$600 000	\$980 000	\$980 000	\$980 000
14.	Melbourne Water Corporation		\$6000	\$6000	\$6000
15.	North East Region Water Authority	\$890 000	\$1 180 000	\$1 180 000	\$1 180 000
16.	Portland Coast Region Water Authority	\$170 000	\$230 000	\$230 000	\$230 000
17.	South East Water Limited	\$11 340 000	\$15 120 000	\$15 120 000	\$15 120 000
18.	South Gippsland Region Water Authority	\$400 000	\$530 000	\$530 000	\$530 000
19.	South West Water Authority	\$470 000	\$670 000	\$670 000	\$670 000
20.	Western Region Water Authority	\$970 000	\$1 300 000	\$1 300 000	\$1 300 000
21.	Westernport Region Water Authority	\$340 000	\$450 000	\$450 000	\$450 000
22.	Yarra Valley Water Limited	\$12 540 000	\$16 720 000	\$16 720 000	\$16 720 000
TOTAL COLLECTED FROM WATER AUTHORITIES:		\$44.6 million	\$60.236 million	\$60.236 million	\$61.476 million
ACTUALLY SPENT		\$44.6 million ²⁴	\$48.562 million ²⁵	\$44 million ²⁶	Annual Report not complete

The table above highlights that the Government has collected over \$165 million over the past 3 years, but only spent \$138 million. \$27 million remains unaccounted for and therefore it is very difficult to justify any increase to the levy for both rural and urban water authorities.

²⁴ Department of Sustainability and Environment Annual Report 2004-05, Appendix 16, Pg 163

²⁵ Department of Sustainability and Environment Annual Report 2005-06, Appendix 17, Pg 232

²⁶ Department of Sustainability and Environment Annual Report 2004-05, Appendix 21, Pg 167

Levy Review for 2008:

Clearly any decision to increase the levy is unwarranted, given that \$27 million has not been spent. Further the recent drought would severely inhibit farmer's ability to take on any additional costs within their businesses.