

Dr Ron Ben-David
Essential Services Commission
Level 37 / 2 Lonsdale Street
Melbourne Victoria, 3000

22 April 2016

RE: G-MW Water Plan – Draft ESC Decision

Dear Dr Ben-David,

The Committee for Greater Shepparton was established to unite its business and community leaders to influence public policy and advocate on issues and priority initiatives that will help strengthen the economy and make the region a more vibrant place to live. The Committee represents over 80 of the most influential businesses, community organisations and statutory authorities from the region.

Irrigated agriculture is the key economic plank of this region. The soils of the area around Shepparton, particularly the east Shepparton fine sandy loam soils have been identified as some of the best in Victoria for production of a wide range of crops using irrigation. The nature of these soils makes them ideal for efficient water use. The efficient use of water is essential to future sustainable agriculture for our region.

Therefore, the effect of the Essential Services Commission (ESC) not to support a move to uniform pricing across the six irrigation districts in the Goulburn and Murray Irrigation District will be to make irrigated agriculture less attractive on these better soils (predominately in the Shepparton area). Businesses investing in the region will look more favourably regions outside the Shepparton area because of the lower cost of the delivery charges.

The Committee for Greater Shepparton and Greater Shepparton City Council are involved in an investment attraction project to encourage vegetable growers who are being pushed out of the outer fringes of Melbourne (particularly Werribee) to move to Shepparton. Logistically the land around the Shepparton region is ideal for this, but the increased water charges serve as a barrier to entry.

The ESC has argued that it will not support uniform pricing based on the 'user pays principle' developed by the ACCC. But the user pays principle is far more complex when legacy issues exist, and the ACCC has acknowledged this.

There are a number of legacy issues that exist in the Shepparton District that have not been adequately considered by the ESC.

GMW commissioned Deloitte Access Economics to examine irrigation boundaries and the impact on prices. It found that when irrigation boundaries were determined in the 1990's, the Broken Creek, despite being supplied from the Goulburn was made part of the Murray Valley Irrigation District rather than Shepparton. If the Broken Creek was part of the Shepparton District, Shepparton's prices today would be \$532 less.

The \$2 billion irrigation upgrade will see the establishment of a new irrigation backbone with a standardised level of service, therefore the move to uniform prices by 2020 when the project is complete makes sense.

However, Shepparton will not receive any of the \$2 billion, our modernisation works are complete and totalled around \$100million- a long way shy of the \$400 million that each of the other 5 districts will receive.

Unfortunately, the modernisation of Shepparton did not see any rationalisation of assets that will occur in other districts. Shepparton irrigators should not be punished by Government decisions of the past.

Though the theoretical principle of 'user pays' may be attractive for the ACCC and ESC in an ideological sense, but the effect when put into practice is a barrier to investment in an area with soils ideal for efficient irrigation and in desperate need of an increase in economic activity.

I support the move to uniform pricing and ask the ESC to reconsider their decision.

Yours sincerely,

A handwritten signature in black ink, appearing to read 's. birrell', with a horizontal line above the first few letters.

Sam Birrell
CEO
Committee for Greater Shepparton