

Gascoyne Water Co-Operative Ltd

451 Robinson Street
PO Box 5
CARNARVON
WA 6701

Phone: (08) 9941 4488
Fax: (08) 9941 4499
E-mail: gwc@gascoynewater.com.au



Irrigating Carnarvon's Future

**ABN: 32 590 776
789**

Response to Objections to Extension of Licence No.38

1. Department of Water

General Comments

- The project to extend the provision of non-potable and irrigation services to the William St area was driven by requests from the landholders in the area.
- The wider interests of the community were considered seriously before the decision was taken to apply to extend the licence area. One of the major threats to the viability of the horticultural industry in Carnarvon is that valuable horticultural land could be purchased by cashed up retirees looking for a country/rural lifestyle causing loss of production in an industry that has yet to reach critical mass in terms of tonnage outputs. Without that critical mass, Carnarvon will be unable to attract downstream processing which would help to alleviate the chronic unemployment situation in the community.
To this end, the boards of Gascoyne Water determined that supporting lifestyle blocks away from the Basin A river frontages would help to prevent this undermining of the industry by providing water at a cost that would allow landholders to green their properties (which vary from 0.5 to 4.0 ha) without the huge increase in charges that would be applied to them by the Water Corporation's sliding scale. Under the Water Corporation, they would almost certainly be deemed to be commercial customers and would be rated as such.
- Native title is not seen as applicable in this case as the land to be supplied is all freehold and the infrastructure will be run in Shire road reserves. The road reserve is previously disturbed land of which disturbance is continuing daily with the laying of telephone, power, footpaths, curbing, resealing of previously gravel roads, etc.

Specific Comments

- Gascoyne Water was unaware that it was required to provide contact details for property owners/developers within the proposed area. This information is available and can be supplied if requested.
- Why would we provide documentation on customers who might not choose to be serviced. We only service customers who request and pay for connection. Perhaps the DOW is under the misapprehension that we would charge water rates to properties that have our pipeline pass their property. We are not the Water Corporation and we do not operate under those rules. If you are not connected, you pay nothing.

- The statement that no information is available regarding consumption charges is incorrect. The consumption charges are not required to be provided to the DOW, but they are provided to the ERA in our annual reporting. These customers will be either Irrigation or Stock and Garden customers and the relevant charges as lodged with the ERA will apply.
- Again why would we provide anticipated revenues or provide information on whether or not the revenue would cover the cost of service provision. The application for an amended licence area surely has no bearing on the financial health of potential services that might be supplied. Gascoyne Water would not be entering into provision of services that were not commercially viable. We are a cooperative that needs to make a profit on behalf of our members so that we may build sinking funds for future replacement of the system. To this end, we will engage in profitable enterprises within our core business, which is the provision of irrigation and non-potable water services to customers who are prepared to pay the reasonable costs incurred.
- No details need to be provided as to completion of exploration permits or allocations as all services fall within existing allocations and Gascoyne Water, as a bulk water customer of the Water Corporation does not have a licence to explore or to abstract. It does not even have a water entitlement, that is held by the Water Corporation. This anomaly has been the subject of ongoing correspondence with the DOW for more than 12 months, but with absolutely no progress to date.
- The number of anticipated new connections by type in the amended area is approximately 7 stock and garden customers and potentially 2 Irrigation members, neither of whom have indicated that they wish to take water from Gascoyne Water at this stage.
- Gascoyne Water never entertained the proposition that the amended area could be regarded as a greenfields site as even with the most imaginative ideals of competition, one could not expect that any new player in the business would be able to create a viable business with seven customers who at the very top of the scale of consumptions would generate no more than \$7,700 in revenue per annum.
- It is not unknown if all relevant stakeholders have been informed of the proposed extension. All members of the cooperative (and the DOW is a member of the cooperative by way of owning a horticultural property) were informed of the cooperative's intentions by way of newsletter articles. Newsletters are provided to each member every month with the consumption accounts. The potential customers have driven the project from the outset so they could reliably be assumed to be well informed.
- No defining principles needed to be outlined as to the cooperative's obligation to supply water services to customers in the amended area as they will remain within the obligations of the existing licence. It is only the boundaries of the licence that are to be amended, not the licence conditions.

General comment on the submission by DOW.

It is the humble opinion of this cooperative that the issues raised by the DOW have no bearing on the application before the ERA. The cooperative was contacted by phone, by an employee of the DOW after the application was published on the ERA website. We were informed that the DOW would, as a matter of course be making a submission and we were led to believe that they made submissions to all applications for licence amendments. Given the nature of the issues raised in their submission and recalling the phone conversation with the DOW employee, we can honestly state that we were totally open and frank in our answers to questions asked, but none of the issues raised in the DOW submission were discussed during the phone conversation previously mentioned.

Gascoyne Water tries very hard to ensure compliance with regulatory requirements, but we must state that we are deeply concerned by this particular submission as it is neither an objection nor does it support our application, rather, it seems to be trying to direct the ERA on how it should function in its licensing role. This is at best unhelpful and at worst imposes an inordinate work load on a water service provider who has to respond to unwarranted questions and probing by an organisation that has no role in the setting of licences for WSPs.

End of response to DOW

Mr. John Thomas

Mr. Thomas gives a brief historical background to his involvement in the industry as a grower and provides a little information on the Water Corporation (then PWD) irrigation scheme. When he states that this scheme has been taken over by the cooperative, he refers to the distribution pipeline only as the Water Corporation retains ownership of the source works, collectors mains, storage complex and pump station.

His statement that “the main purpose of the system was and is to insure security of water during times of non river flow” may have been true when the scheme was constructed in 1970/71. However the idea that the many millions of dollars worth of infrastructure was installed to augment private bore supplies when and only when growers could not take water from private bores was a blight on the public purse. In fact the system ceased to follow that process many years ago when extensions to the distribution scheme were made to provide water services to horticultural properties with no access to the Basin A system of private bores. One of the people who lodged an objection (Mr. Stan Kostanich) is actually one of those growers who would be unable to operate his business if the purpose of the scheme as stated by this respondent was still applied in the licensed area.

Our licence currently allows the cooperative to supply water to customers who are prepared to pay for the delivery of irrigation and non-potable services and as stated earlier in this document, there are sound reasons for encouraging lifestyle blocks to proliferate outside of the prime horticultural land.

All non irrigation customers are supplied with water from the scheme in the full knowledge that they are provided with a non guaranteed supply and that in times of drought, if restrictions need

to be applied, the non-irrigation services may be reduced or discontinued. These customers and the sub-contractors also mentioned in Mr Thomas's submission are basically opportunistic customers. That is we can predict reasonably accurately from allocation year to allocation year what the likely total consumption will be and water that would not be used during any one year can be used to provide additional revenue to the cooperative, thus reducing the impost on the members who have to raise the necessary sinking funds to maintain and replace the ageing system.

Mr Thomas then states that the system could not cope during a hot spell and commercial customers could not access sufficient water to satisfy their crops. He goes on to suggest that this was due to the extensions to the scheme and that it may lead to a crisis in the future. This is really a misrepresentation of the facts:

- The additional S&G services take less than 1% of the water delivered in total.
- The Water Supply Agreement between the cooperative and the Water Corporation sets the maximum annual and daily flow rates that will be supplied. They are 5GL per annum in a Normal Year (up to twelve months after the river last ceased to flow) and 8.6GL per annum for a Drought Year (up to 24 months after the river last ceased to flow). The daily maximum flow rates during each of those periods is set at 22 ML per day and 28 ML per day respectively (which actually equates to 8.6 and 10.2 GL per annum). However because the cooperative inherited an uncontrolled delivery system (water on demand), we cannot control the demand on the system at any time. Most growers choose to water during the twelve hours of daylight and as a consequence, flow rates well in excess of the contracted daily maximums are regularly recorded. This has nothing to do with the relatively minute volumes of water taken by water carters and S&G customers, it is all about managing demand on the system by irrigators. It also shows that the system can provide in excess of the contracted rates.
- The cooperative continues to communicate with the members and encourages all properties to maximise their on-farm storage to meet their instantaneous demand rates during periods of high demand on the system.
- We also encourage members to spread their demand over twenty four hours of each day, but with no ability to control water delivered to individual properties and insufficient funds, yet, to install such controls, we have to rely on the members of the cooperative cooperating with us and each other to better manage the system. This is obviously not happening in Carnarvon to date.
- Carnarvon is possibly the only irrigation area in Australia where some form of water on order system is not practiced. In the early days of the scheme when it was run by the PWD and then the Water Authority, growers were rostered, with one side of the river allowed to water on even days and the other on odd days. Even then a grower had to order his water from the Irrigation Foreman and have his meter unlocked to enable him to take his water. To argue, as Mr Thomas does that his crops cannot survive a matter of hours without water is evidence that he probably has insufficient on-farm storage to cater for such unavoidable outages.

- Mr. Thomas gives a simplistic explanation of how the aquifers operate in the Lower Gascoyne River and comments on salinity encroachment over the last 50 years. He then seems to vaguely suggest that this is somehow related to the ability of the Basins B-L (the Water Corporation borefield) to supply water to the town and plantations. Nothing could be further from truth. The salinity in Basin A, if indeed it has been rising and encroaching on once productive bores and wells for the past 50 years is clearly a result of poor management of private bores and the over extraction by growers from this source. The scheme was not in existence when these problems began to arise and the very construction of the scheme was, in part due to the damage that had been done by over extraction from the private bores.

General comments on the above submission

It is the belief of Gascoyne Water that the submission by Mr. Thomas, whilst raising issues related to management of allocations and issues of demand management, has little or no relationship to the application for an amendment to our licence area. The volume of water consumed by these seven customers falls within the savings in current system losses achieved by the cooperatives vastly improved reaction times to leaks and bursts on the distribution system. We have achieved a reduction in losses from > 15% to < 7% since taking over management of the scheme. This approximates to a saving of 400,000KL on this year's predicted total delivery. The maximum anticipated consumption of the proposed extension is 14,000KL per annum.

End of response to John Thomas.

Mr. Kevin Leahy

Mr. Leahy opens his submission by stating that the growers of Carnarvon have not been supplied any information in any form to convince them of any benefit to growers or those who would be supplied from the extension. I have attached several copies of monthly newsletters, sent to every member during this year and containing general information on the cooperative and its business.

Mr. Leahy echoes the statement of Mr. Thomas, almost verbatim regarding the historical purpose of the irrigation scheme so I will not reiterate our response here.

The submission goes on to state that the cooperative intends to extend their network "at a cost of many thousands of dollars".

- The cooperative will incur no costs as a result of this project as it is fully funded by the proponents (the potential customers).
- He also states that these customers are not commercial customers, however some of these small properties *are* operating small commercial enterprises such as a few mango trees, hydroponic vegetables etc.
- The rates charged by Water Corporation are based on an assumption that the average "domestic" property will consume only 500KL per annum for an average

block size of around a quarter of an acre. These blocks are considerably larger than that and most will be paying upwards of \$3.00 per kilolitre. This is an anomaly that we can help address and we do so with knowledge and cooperation of the Water Corporation.

- The statement that the Water Corporation bores are “running to near capacity and we have not had any hot days in Carnarvon since last summer” is a grossly ill-informed statement that does nothing to advance the contentions of this submission of objection. The Water Corporation has contractual obligations to supply the volumes mentioned earlier in this document and the problems with meeting grower demand have nothing whatsoever to do with the Water Corporation borefield capacity to supply. It is all about demand management by growers to ensure we do not exceed the contractual flow rates. Considering the volumes involved, the S&G customers comprise less than 1% of the total volumes taken from the scheme.
- The scheme is operating well within sustainable yields of 14.4 GL per annum. This is an ultra conservative cap placed by the DOW on the borefield for irrigation purposes. The cooperative currently has a bulk water contract, as mentioned previously for 5GL and up to a max of 8.6GL, so we could almost double the maximum entitlement and still remain within sustainable yields.
- I have addressed the next paragraph in both this submission and the submission from Mr. Thomas. The statement that the cooperative could not supply sufficient water is a furphy. The fact of the matter is that during that period, there were many events conspiring to prevent the cooperative from being able to meet the demands of growers:
 - Western Power had generator problems and requested the Water Corporation shut down the borefield. This was done but only for approximately one hour.
 - One hour without adequate pressure would not have been a problem for a farm with reasonable on-farm storage.
 - When an un-seasonal hot spell occurs such as happened over these three days, demand well and truly exceeds the capacity of the overall system to deliver. It is not a failure by the cooperative to supply nor is it a failure of the Borefields ability to abstract the necessary volumes. It is about the capacity of the system to deliver.

General comments on the above submission

Members of the cooperative have received greatly increased security of supply ever since the cooperative (owned by the growers of Carnarvon) took over the assets and entered into supply contracts with the Water Corporation. Both Mr. Thomas and Mr. Leahy quote historical information but both fail to mention that prior to 2001, restricted allocations (reduction in the percentage of an entitlement each grower was allowed to take) were a fact of

life in most allocation years. Periods without a river flow could result in reductions of 50% or more. From the date of construction of the irrigation scheme, until 2001, the longest recorded period without a river flow was 23 months and restrictions were very severe during that time. Growers had to choose which section of their property would have to be allowed to die in order to save the most valuable section of crop.

Since 2001, when the cooperative came into existence, the longest period without a declared river flow was 34 months, ending in early 2005. During this record breaking period, ***no*** restrictions were applied to any growers and in fact some growers who had lost access to their private bores were allocated more water than they would have had access to during a good year of full flows.

Gascoyne Water again contends that this objection raises nothing that would constitute a valid argument for denying the application for extension of the licence area.

End of response to Kevin Leahy

Mr. & Mrs. Day

There is no need to comment on the first paragraph as it is essentially the same as the previous submissions.

- The third paragraph refers to the history of the town water supply. It does not say that the reason for the rising salinity was over-extraction by ALL Basin A users. Yes the town water supply was moved to the upper basins B-L in order to help alleviate the pressures on Basin A which was then reserved exclusively for private bores for growers with a prolongation.
- The town is not as suggested in this submission, “putting pressure on the scheme as the town grows” for the simple fact that the town is allocated 1.8GL of water with 1.8GL reserved for future growth (a factor of 100%). The town has never historically come close to this volume and the volume set aside for the future will ensure adequate supplies for the town for the foreseeable future.
- The town water supply allocation is treated by the Water Corporation, separately to the irrigation allocation and does not figure in any calculations related to the 5GL irrigation allocation except in the severest of droughts when water essential for the survival of the population would be put before the crops of the irrigators. This is a condition that we assume no one would argue against.
- Gascoyne Water cannot comment on the next statement about the land being earmarked for residential development. In this case we would defer to the experience and knowledge of Mrs. Day who is a Real Estate Agent in Carnarvon.
- Yes Gascoyne Water was created as a result of the Government of WA looking at the most beneficial method of complying with CoAG reforms. Local management was as far as the reforms required them to go, local ownership was seen as a way to empower the irrigators to take control of their own destiny. The approach was

hugely successful in the South West and in the Ord River systems. It can be just as successful here if we can all work towards the common goals of security, diversity and sustainability.

- The last paragraph of the submission is a statement that sounds valid when first read, but is unable to hold up under scrutiny. Almost without exception, all members of the cooperative have access to more water from the scheme than they ever used under the Water Corporation. Growers historically only used their own bore water as they paid nothing for it. The scheme water was left sitting in the ground, with hugely expensive infrastructure maintenance costs, only to be used when and if a grower's bore went salty or failed for mechanical reasons.
- The cooperative, in order to remain viable, must sell water to raise revenue. If the funds required to operate the cooperative and to build sinking funds for future maintenance and replacement of the system had to be raised exclusive of water sales, then the charges to members would have to be so high as to bankrupt the industry.
- Gascoyne Water, by providing these services to non growers at a price that is considerably higher than grower members pay, but still attractive compared to domestic treated town water, allows us to bring in extra revenue to help reduce the angle of the steep path we are otherwise faced with on our way to full cost recovery when the operating subsidy finally reduces to zero.
- The very last comment is hard to reconcile with the reality of the attitude of growers in Carnarvon. The claim that because of the shortage of fresh food production across Australia, growers in Carnarvon should have all available water reserved for their exclusive use is unsustainable when one considers the argument put by the same people that development of a new horticultural precinct in the area comprising 400ha of crown land and utilising a new, proven water resource should be opposed because it would create too much competition for existing growers and devalue existing properties. Most growers in the Carnarvon irrigation area have historically only sought to sell through markets in Perth and very few seek to export either interstate or overseas.

End of response to Margaret and Tom Day

Mr. Stan Kostanich

- Mr. Kostanich, as stated in his submission has no access to the river (Basin A) and therefore, according to the reasoning of the previous submissions, should not be using irrigation scheme water to grow crops. The reason for this is that it is claimed by the previous objectors, that the scheme is there to provide security of supply to Basin A users in times of drought or non-river flow. The property operated by Mr. Kostanich would fall under his description of a "hobby farm".

- 1 Mr. Kostanich can access water from the “State Water Authority and bores on his land”. The town water supply trunk mains and reticulation mains run passed his front door.
- 2 Gascoyne Water has no issue with this statement and that is precisely how the irrigation water trading system works. The water used by non-potable water users is part of the allocation made to Coral Coast Water Pty Ltd a member and wholly owned subsidiary of Gascoyne Water. Once that allocation is fully used, CCW will have to trade in the market place if it wishes to increase its customer base.
- 3 Gascoyne Water is unsure of what is meant by this statement. The additional flows mentioned mean additional to what precisely? The best way for Basin A to be protected from saline water intrusion is to reduce the unsustainable draw from that aquifer by growers with private bores. The abstraction of water from the upper basins does not affect salinity to any great extent due to the height above sea level compared to Basin A which is at or just above sea level. It has also been shown by pumping trials (in which I was directly involved) that mining water from the upper basins actually improves water quality on the next river flow due to increased recharge pressures and flushing of the basins. This does not happen in Basin A because mining water lowers aquifer levels below sea level with a consequential influx of saline water and potential permanent damage to the aquifer.
- 4 Gascoyne Water has stated before that we do not have the resources or the expertise to examine the effects of global warming on the water resources of Western Australia. That is the precinct of the DOW and it is on their Lower Gascoyne Management Strategy that our allocations are set and determined. Mr. Kostanich goes further and suggests that basically a moratorium should be imposed on any further allocations of water to anyone in the licensed area. We would contend that the DOW as the resource manager, taking responsibility for the management of the resources of the Gascoyne River has more expertise than either Gascoyne Water or Mr. Kostanich and failing any obvious proof of incompetence on the part of the Department, we can rest assured that we can safely operate within the parameters they set.
- 5 This item (a, b & c) has been addressed earlier in the response to the DOW.
- 6 This is simply a restatement of previous points by Mr. Kostanich
- 7 Gascoyne Water is not sure of the intent of this point, but as stated earlier, Mr. Kostanich has access to “government water”. It is not relevant to our application for an extension of our operating area as we not competing with the Water Corporation to supply potable water. We only supply irrigation and non-potable water.
- 8 Gascoyne Water has laid pipes in the Kingsford area to supply non-potable water to S&G customers. Gascoyne Water has commenced laying pipes in William Street in order to provide non-potable water to S&G customers. There is no requirement to extend our licence area to supply non-potable water as the area is

not a controlled area for non-potable water services.

The only reason for the application was to allow us to provide irrigation services within an area zoned by the local shire for intensive horticulture. Customers in this area would then have the same opportunities to avail themselves of a reliable irrigation water supply in the same manner and under the same conditions as every other grower in the district.

End of response to Mr. Stan Kostanich

Mr. Ian Duggan

- 1 .
 - (a) Initially seven customers signed up for stock and garden services in the William Street area. No applications have yet been received from existing plantations located in this area.
 - (b) Each S&G customer will be provided with a 25mm metered service. They do not hold water entitlements and their consumption is restricted by the meter size.
 - (c) As these customers do not hold water entitlements, they are not members of Gascoyne Water. They are customers of Coral Coast Water, a wholly owned subsidiary company and member of Gascoyne Water.
They are restricted in the volume of water they can take and similar conditions as would be imposed on a 'domestic' consumer apply.
 - (d) The extensions are of such a minor nature, that they will have no effect on pressures or flows within the existing area. **Note:** the total consumption of all commercial and stock and garden customers is approximately 1% of the total irrigation consumptions while at the same time, contributing more than 6% of revenue.
 - (e) Stock and Garden customers are charged an annual meter service fee of \$144 and a volumetric charge of \$0.55 per KL consumed. The fees and charges are reviewed annually and adjusted, if necessary to maintain cost recovery.
 - (f) This point has been addressed earlier in this document
- 2 As Mr. Duggan points out further in his submission, support for the expansion of the industry is divided . This does not mean that the growers of Carnarvon are opposed to expansion, but rather, they have a healthy range of opinions. The reasons why we should provide services to this area have already been explored.

- 3 We have addressed the issue of commentary on climate change previously in the response.
- 4 We note the due process as outlined by the ERA in that the policy is to make an application available for comment. Gascoyne Water would also like to point out that any member who has an interest in this project can very simply call us on 99414488 and we can discuss the matters raised either then or arrange to meet with individuals or groups at a convenient time and location.

The rest of the document can be addressed by dot points:

- The change of Chairmanship, or rather the omission from the newsletter is hardly pertinent to an application for extension. In defence of the editor of the newsletter (the CEO), I had composed the article, but did not notice that I had missed it in the July issue. It was published in a later issue. The mention of rumour and innuendo etc. is a theme that arises in complaints such as this, but we would ask why a member, who was interested in his/her cooperative, would not ask the staff or a board member if there was any truth in a rumour doing the rounds. To suggest that the Chairman was replaced due to a disagreement over a project to provide water to seven stock and garden customers at no cost to the cooperative is doing a grave injustice to each and every elected member of the board.
- This statement about discussing “in detail” with the members to gain their approval is a matter that has assumed a level of importance with Mr. Duggan that is in no way commensurate with the actual case in question. This is by any stretch of the imagination only a minor administrative matter and as mentioned earlier in this document, the board and management are put in place to direct and manage the cooperative on behalf of the members. We cannot effectively run the business for our members if every decision is made by plebiscite.
- Mr. Duggan continues in a similar vein in addressing the ERA and its processes for soliciting public comment. This is a recurring theme in that it is not seen as the responsibility of the members to keep themselves informed by attending meetings, reading documentation, newsletters etc. but it is the responsibility of the cooperative, the Regulators and Government Departments to seek out those who might be interested in order to make sure they are kept informed of every minor matter.

General comments on Mr Duggan's submission

We have been informed by settlement agents that Mr. Duggan has sold his property and will cease to be a member of the cooperative as of 1st February 2008.

The general thrust of his letter of objection is that he has not been informed and the cooperative has not communicated with him. The matter before the ERA is a minor adjustment to our licence area but it has somehow gathered about it a seriousness that is totally disproportionate in magnitude to level of real importance in the scheme of things.

Closing Comments

Throughout the incubation and development of the transfer of the irrigation distribution assets and business from Government control to local ownership, the majority of growers (Member/Shareholders) have seen the change as a very positive move that has secured the future viability of the industry from a water related perspective.

However in all collective groups, be it farmers, plumbers, company directors or any other group of people with a common interest, there are disagreements, that is the very nature of the democracy in which we live. It is also a feature of democracy that the vote goes to the majority and like it or not, the minority have to live with decisions made. Gascoyne Water has tried every avenue available to it to communicate with the membership but for every step forward we make, the same few names occur again and again in objecting to anything and everything that the cooperative does on behalf of its members. The cooperative is a for profit company and the members are the shareholders. They elect a board to run the company on their behalf. The board has a responsibility to provide general information to the members and to seek input from the members at AGMs and through surveys, newsletters and face to face conversations. At the end of the day, the board has a fiduciary duty to act in the best interests of the company (read total membership) and this is not always compatible with the wants or wishes of an individual. To go to the members with every administrative issue would be to run the business and make decisions by committee. This would be disastrous for the cooperative and make the whole business totally unworkable.

I have attached several newsletters to this response to demonstrate how we have communicated with members. We have also made it clear to every customer of the cooperative that the CEO is more than willing to talk through any questions, issues or misgivings that they may wish to discuss. That is the way to communicate, a two way exchange of information. It is notable that the above named respondents to the request for submissions have rarely, if ever contacted myself as the CEO or any members of the board to discuss their perceived lack of communication or information sharing in relation to this issue.

In closing, I wish to thank the ERA for their support and understanding in this matter to date and trust that the wishes of the majority are not compromised by the misdirected complaints of the few.



Edward Garrett
Chief Executive Officer
Thursday, 8 November 2007