

Essential Services Commission of SA
GPO Box 2605, Adelaide SA 5001

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Review of SA Water's Regulatory Business Proposal: Issues Paper

The Clare Region Winegrape Growers Association has made a number of submissions to SA Water, the Minister for Water, the Small Business Commissioner, the Premier and the Australian Competition & Consumer Commission regarding the high price of water delivered through the Clare Valley Water Supply Scheme.

The Clare Region Winegrape Growers Association is concerned that the unintended outcome of SA Water's pricing will be the collapse of the wine industry in the Clare Valley, as the cost of water in the Clare Valley in comparison to other grape growing regions renders the region uncompetitive, increasing operational costs and lowering the value of viticultural land in the region.

Irrigators in the Clare Valley are set to pay \$3450/ML for peak water delivered through the Clare Valley Water Supply Scheme in the 2012-2013 irrigation season, while irrigators in the Barossa will pay \$640/ML for peak water over the same period. The Clare Region Winegrape Growers Association acknowledges the difference between the Clare Valley Water Supply Scheme and the Barossa Infrastructure Limited scheme, however it does not believe the revenue raised accurately reflects the associated costs, even when the costs of the desalination plant are taken into account.

When irrigators first signed on to the Clare Valley Water Supply Scheme in 2004, the price of water was \$970/ML. Since this time the water price has increased by 256%. The price of water has risen ten times faster than other input costs over the eight years the Clare Valley Water Supply Scheme has been in operation. Few grape growing enterprises are able to absorb these price increases and remain competitive.

The grape growers who utilise this water made a capital contribution to the scheme of \$1500 - \$2000 per ML, which guaranteed the initial project's development. These grape growers believe they are being penalised for that investment rather than receiving the intended benefits.

The Clare Region Winegrape Growers Association believes the revenue raised through the Clare Valley Water Supply Scheme is excessive and does not reflect the costs associated with the scheme. Clare Valley grape growers understand the need for SA Water to recover costs and accept that, while they will not access any of the desalination water, the state must recover the costs associated with the scheme. However, they see the unintended result of this pricing being the closure of the wine industry in the Clare Valley and the loss of 1250 FTE jobs.

Due to the unique structural arrangements associated with the Clare Valley Water Supply Scheme, the Clare Region Winegrape Growers Association argues that the Clare Valley Water Supply Scheme should be defined as an excluded service and form a separate price regulation. This would enable the pricing for the scheme to come into line with pricing in other irrigation areas, which better reflects the costs associated with the delivery of water.

The Clare Region Winegrape Growers Association would be happy to make a representation to ESCOSA regarding the Clare Valley Water Supply Scheme to provide further information on the region's pricing concerns.

Regards



John Bastian
Chair, Clare Region Winegrape Growers Association