

25 January 2012

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By email: [water.submission@qca.org.au](mailto:water.submission@qca.org.au)

**Draft Report SunWater Irrigation Price Review: 2012-17 Volumes 1 and 2**

Dear Rick

Thank you for the opportunity to make a submission on the Draft Report SunWater Irrigation Price Review: 2012-17 Volumes 1 and 2.

Operating in an environment where output prices are world market determined, CANGROWERS' members work to ensure the sustainability of all inputs – including water – and their long term profitability. The long term viability of the sugar industry depends on an efficient supply chain. For irrigators, water use efficiency is a must. On farm water use efficiency is within their control; delivery of water to the farm is not. Cane growers and other irrigators across the state rely on SunWater and the efficiency of its operations.

SunWater operates in a regulated not a market environment. Without effective market-based competition, a bureaucratic cost-plus culture has developed across its operations. SunWater's systems are such that it has been unable to provide QCA and irrigators with complete, accurate and reliable information in a timely and user friendly form to justify its cost (operating, indirect and overhead) structures. Without a market imperative, SunWater has little incentive to improve efficiency or pursue other productivity gains. The market failure is clear and, without rigorous accountability structures; the moral hazard of a monopoly supplier seeking to generate returns on an ever-increasing cost base is driving SunWater's behaviour and investment decisions. The consequence: water prices faced by users are being driven ever higher.

CANE GROWERS members are willing to pay efficient and prudent prices to ensure long term access to sustainable irrigation systems and are looking to the QCA recommendations for confidence that this will be the case in the 2012-17 price path. Unfortunately the Ministerial direction under which QCA is conducting the review limits the Authority's ability to fully examine and develop an appropriate regulatory framework for Queensland's irrigation scheme. This limitation on the scope of work and the lack of timely, accurate and reliable information from SunWater on its cost structures does not provide irrigators with confidence that recommended prices will be either prudent or efficient.

Although the Ministerial direction cannot be changed, more detail can be collected on SunWater's costs. If SunWater has not provided sufficient data before preparation of the final report, irrigation water prices should not change until the relevant information is available.

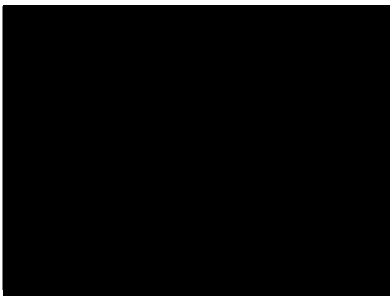
The proposed incentive structures outlined in the draft report in and of themselves are unlikely to drive the required productivity gains and cost reductions in SunWater. Therefore it is important that QCA develop a blend of key performance indicators and price incentives that will drive an efficiency dividend sufficient to enable the Ministerial direction to be met with recommended price increases below CPI.

CANEGROWERS' overriding concern with the draft report and the review process is the continued focus on cost allocation as a means of maintaining SunWater's long term financial viability. Too little emphasis is placed on the importance of developing incentive structures and key performance indicators that will encourage SunWater to improve the efficiency of its activities, both bulk water management and water distribution. This concern gives rise to a number of CANEGROWERS recommendations (attached) which, if implemented, will reduce SunWater's cost structures, provide performance incentives, lower the rate of increase in water prices to all users and put all channel schemes on a long term sustainable footing. The recommendations also apply where indicated to river (bulk) schemes.

The cane schemes include the five distribution schemes (Mareeba/Dimbulah, Burdekin/Haughton, Eton, Bundaberg and Lower Mary) including Pioneer and Proserpine, which are both bulk schemes. You will recall that growers raised a range of issues at each of the consultations conducted in each scheme. Many of these concerns remain. They underlie this submission and are also addressed in the submissions made to the QCA by local CANEGROWERS.

We look forward to working with the QCA team as it develops its final report and recommendations.

Yours sincerely



Steve Greenwood  
CHIEF EXECUTIVE OFFICER