



CANEGROWERS

Proserpine

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Mr Darren Page
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Darren.page@qca.org.au

Dear Sir

Re: Irrigation Prices Review: 2020-2024

CANEGROWERS Proserpine is a not-for-profit, member-owned organisation whose members are predominantly allocation holders in the Proserpine River Water Supply Scheme. CANEGROWERS Proserpine also provides secretarial and operational support to the following local water entities:

**Proserpine Irrigators Advisory Committee;
Kelsey Creek Water Cooperative Limited (KCWC); and
Six Mile Creek Irrigators Cooperative Limited (SMCIC)**

On behalf of the water entities, CANEGROWERS Proserpine submits the following comments in relation to the Irrigation Price Review 2020-24:

1. ***Dam Safety Upgrades*** – Peter Faust Dam (PFD) was constructed in 1991 to mitigate flooding to the township of Proserpine and to maintain critical highway accessibility. It is understood some dam safety upgrades are planned in the price path beyond the current period under review. Explicit details of the proposed upgrades are not available and there has been limited community consultation on the nature and scope of this expenditure.

Furthermore, SunWater has not transparently addressed how the cost of dam safety upgrades has been calculated and apportioned. The local water entities believe dam safety measures are for the benefit of the broader community and therefore the broader community should be responsible for the bulk of the cost. Water allocated for irrigation purposes accounts for less than 8% of the total capacity of PFD. At the very least, there needs to be more community consultation on an equitable method of apportioning the cost of dam safety.

2. ***Annuity Period*** – It is noted that SunWater is recommending a 30-year annuity period. The local water entities are supportive of this change as it should address inter-generational equity issues associated with the current 20-year period.

However, the change will result in substantial cost increases of almost 54.4% for Proserpine irrigators over the 4-year price path. No doubt other water entities may experience similar (or greater) increases. Prior to implementing a 30-year annuity period, it is imperative that annuity reserves are critically assessed on a regular basis to monitor SunWater's performance against projections.

3. **Electricity Costs** – Over the past seven years, irrigators have endured electricity price increases of up to 130%. The current suite of irrigation tariffs is due to be phased-out by 2020 and there has been limited headway in developing a cost-effective replacement tariff. The local water entities raised concerns about the impact of electricity costs on water usage. For example, in dry seasons such as the one recently experienced, water usage declined by as much as 40% due to high pumping costs. This is having an adverse effect on the local water market with many irrigators now contemplating a reduction in their water allocation placing uncertainty for small distribution schemes such as KCWC and SMCIC.
4. **Public Interest Matters** – The Proserpine sugar industry has struggled over the last few years after a series of natural disasters. Combined with low sugar prices and increased operating costs, sugarcane production and farm profitability has declined significantly since 2010 threatening the viability of irrigators and the milling sector.

CANEGROWERS Proserpine shares the local water entities concerns that constant (and regular) increases to critical inputs such as water and electricity is having a significant impact on the cost of producing sugar. Substantial investment in the distribution schemes and on-farm irrigation infrastructure is at risk if costs cannot be contained and there is serious concern that growers will exit the industry for lack of viable irrigated cropping options.

The irrigation schemes and associated sugarcane production/milling are the life blood of the local economy however sustainability issues are placing severe pressure on the entire community.

Thank you for the opportunity to provide comments on the 2020-24 irrigation price review. Should you require further clarification of these matters, please do not hesitate to contact me.

Yours faithfully



Michael Porter
Manager

The Proserpine District CANEGROWERS Cooperative Ltd