



**MAREEBA DIMBULAH WATER SUPPLY SCHEME
CUSTOMER COUNCIL**

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7th March 2003

Mr E.J. Hall
Chief Executive
Queensland Competition Authority
GPO Box 2257
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Dear Mr Hall,

RE: File Ref 5-16

Thank you for providing the opportunity to comment on the QCA's draft response to stakeholder comments for the Burdekin Assessment.

Given the shift in tone of many of the QCA's comments it would appear that the independence of the QCA is being eroded by political interference. However, be that as it may, I draw your attention to some apparent anomalies specific to our initial submission.

1. The QCA contends that flood mitigation services provided by the Burdekin Falls Dam are an '*incidental by-product of the main objective of the scheme*'. We contend that it was a function that supported the initial government decision to progress the dam and cannot be dismissed without a quantitative value being placed against it i.e. it was part of the decision making process. (15 P7)

2. The QCA states that:

To automatically preclude a rate of return being charged in relation to past assets would remove incentives for future investment. Furthermore it is not consistent with commercial practice.

The QCA then uses investment in mining to provide an example. We would like to point out that past investment in 'public infrastructure' has never been treated the same as that for commercial mining enterprises. We suggest that for this argument to be valid then farmers should expect to receive the same rate of return that they were obtaining forty years ago and thereby encourage them to make similar investments into the future. Whilst we may like to believe this to be the case, Government actions have completely changed the investment environment and past investment decisions count for nothing. The QCA in taking this stand is putting Government well above the rest of the community and what the rest of the community finds to be 'commercial reality'. (18 P8)

We also note that the QCA maintains that:

'It is a matter for government policy how it funds its capital expenditure and whether it seeks to recover these costs from taxpayers generally'. (23 P10)

The above comment was made in relation to Government investment in the Goodwill Footbridge and the like where beneficiaries can be easily identified. As such we would agree with the QCA's comment if it were reworded i.e.*recover these costs from the taxpayer or beneficiaries generally.*

Of course this comment is then at odds with previous QCA comments about needing to provide incentive for future investment.

Clearly past investment decisions are just that – past. The QCA appears confused between trying to validate a process that gives Government retrospectivity on past investment decisions, and the right of the Government of the day to make investment decisions based on its own assessment criteria.

3. The QCA notes that the *payment of a dividend is warranted as part of the return on capital. However it also notes that SunWater currently pays no dividends. (21 P9)* This would appear to be at odds with the QCA's previous comment relating to *recover these costs from the taxpayer etc.*

We would like to point out the recent incidence of the Government taking a dividend from *Ergon* and Power Generation Companies whereby the dividend has compromised maintenance and development programs. There are no checks and balances on how Government deals with dividends that creates certainty for such companies, especially when the Government is financially embarrassed.

4. The QCA claims that the Minister for Natural Resources and Mines and Treasurer are the responsible parties in relation to SunWater and the *GoC Act*. However, the QCA offers no evidence that these parties are making any attempt to assess the wider community benefits of Irrigation Schemes and as such are not carrying out their obligations under the CoAG agreement. (31 P12) As such we believe you will find that the Deputy Prime Minister's comments when taken in their full context would support our assertions. (22 P9)
5. The QCA dismisses issues raised in relation to particular activities being subsidised *due to connections with other economic activity.acceptance of this argument may require all productive activities in the economy to be subsidised.* The Customer Council considers that the QCA has taken an overly extreme view that does not reflect the intent of the Council. The Council's position was one of balance and assessment rather than black and white. Clearly shades of grey are

evident everywhere in our society e.g. the automotive industry, mining, public health etc.

6. Finally the QCA makes continual reference to normal commercial practice. Of course for this to exist there needs to be a normal commercial market i.e. there needs to be a buyer of the product in the event that one category of buyers for one reason or another (lets say Government policy on water pricing) is unable to afford the normal commercial service provided.

At the heart of our concerns is that we consider the Government policy on water pricing to be a social experiment with potential catastrophic consequences for rural communities. In terms of 'our' competitors we are often up against production costs that reflect third world wages and environmental standards (including Government services), and high levels of Government intervention in the form of subsidies or tariffs. Could our agricultural competitors afford a service such as the normal commercial 'benchmarked' service as provided by SunWater? The reality is that there is very little that is normal in terms of agricultural production in Australia compared with that of our major trading partners, and at some point in time Government needs to acknowledge this.

Yours faithfully,



Murray Smith
Secretary
Mareeba Dimbulah Customer Council