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Rural irrigation price review 2025–2029  
Queensland Competition Authority  
GPO Box 2257  
Brisbane QLD 4001  
Online submission to: <https://www.qca.org.au/submissions/>

## RURAL IRRIGATION PRICE REVIEW 2025-2029 - MALLAWA IRRIGATION

Mallawa Irrigation Limited (Mallawa) welcomes the opportunity to provide feedback to the Queensland Competition Authority (QCA) for the rural irrigation price review 2025-2029.

This submission focuses on capital project cost impacts to customers, procurement processes and operations expenditure.

### Snapshot: Mallawa Irrigation Limited, St George, Southwest Queensland



<b>Customer profile:</b>	Owned and managed the St George channel scheme since July 2018.  Distribute water to 43 customers, irrigating 10,000 hectares of land.  Mallawa holds a 10,000ML allocation with Sunwater.
<b>Water transported:</b>	58,000ML
<b>Infrastructure:</b>	112km channels and pipelines, 99 drains, 178 take offs and 3 pumps.
<b>Crops:</b>	Cotton, cereals, horticulture and other small crops.

### Prudence and efficiency of capital projects and projected costs

We have concerns about the projected costs of capital projects and their impact on St George customers. Following is a breakdown of costs for just three of the numerous capital projects impacting St George for this pricing period.

Capital project	Sunwater forecast for St George	Annual cost to St George customers
Dam instrumentation	\$2.65M	~\$177,000 p.a. for 15 years*
SCADA	\$2.61M	~\$130,500 p.a. for 20 years*
Billing system renewal	\$1.5M**	~\$75,000 p.a. for 20 years*

\*Time period relates to estimated life of new system, as confirmed by Sunwater.

\*\*\$42.4M whole-of-business cost. Figures do not include ongoing annual operating cost of \$1.7M per annum.

The cost of capital projects allocated to St George is recovered via prices to customers for the life of the new system, or infrastructure. Sunwater will commence recovering SCADA and billing system project costs from customers in 2025-26, dam instrumentation cost recovery will commence in 2027-28.

To cover the costs of these three projects alone, total St George customer prices will increase by more than \$200,000 p.a. from 2025 and the total increased price to St George customers will exceed \$380,000 p.a. from 2027.

We are seeking greater transparency around what is driving these projects and how the costs have been determined. Specifically, we would like to understand:

- What is driving these projects?
- How have the costs been determined?
- What are the safety, compliance or regulatory requirements?
- What efficiencies will be gained if projects exceed essential requirements?
- How has the prudence and efficiency of each project been assessed?

## Procurement processes and costs

We believe Sunwater's procurement decisions and practices should be further scrutinised to reduce projected costs of capital projects. We have seen numerous examples of inflated costs for project estimates, budgets and actual spend. To cite an example, Sunwater projected \$4.6M to replace the St George pump station in 2014. In 2017, Jacobs recommended replacement costs of \$2.78M. In 2022, Mallowa completed a refurbishment of the St George pump station for a total cost of less than \$1M.

We would like to see greater scrutiny across all stages of Sunwater's procurement procedures and practices, including:

- scoping and cost estimation at project inception
- assessment of Sunwater's capacity to function as the principal contractor, rather than tendering
- approach to tendering including engagement with the local market prior to tendering
- bidding timelines
- project management and documentation, including budgets and schedules.

## Sunwater's forecast operating expenditure (support costs)

From 2025 through to 2029, Sunwater has forecast 51.7% of total operating expenditure for support costs. We acknowledge that there are some unique cost escalators for a large water service provider, however we also question the viability and sustainability of any organisation allocating more than 50% of operating expenditure to support costs.

Our concerns are supported by Sunwater's base case scenario for LMA in 2016, which suggested that prices would continue to increase by 2.5% year on year, equating to an additional \$3.6M in charges to customers in the six-year period Mallowa has owned and managed the St George channel scheme.

Since transitioning to an irrigator owned and managed scheme in July 2018, Mallowa has decreased prices by 20%, an average decrease of 3.6% year on year. Over this same six-year period, Mallowa have spent \$3M on capital projects and maintained a healthy cash balance.

## Working collaboratively to review rural irrigation prices

We would like to respectfully request the opportunity to be involved in conversations between Sunwater, QCA and contractors regarding this price review and the impact it will have on St George customers. Mallowa are committed to working collaboratively to deliver solutions for our shared challenges and achieving positive outcomes for all stakeholders.

Mallowa Irrigation would be pleased to provide further comment or information to support our submission.

Thank you for the opportunity to provide feedback.

Yours sincerely



Justin Schultz  
Board Chair