

4 MAY 2010

DATE RECEIVED



MACKAY

Mackay Canegrowers Limited

ABN 24 111 817 559
120 Wood Street (PO Box 117)
MACKAY QLD 4740
T: 07 4944 2600 F: 07 4944 22611
E: mackay@canegrowers.com.au

27th April 2010

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Sir

RE: Irrigation Prices for SunWater Schemes: 2011-2016

Please be advised that Mackay Canegrowers Limited and Mackay Sugar Limited expresses their interest to participate in local stakeholders meetings and receive issues papers and reports related to this investigation.

Mackay Canegrowers Limited represents the interests of its members. With over 85% of cane growers as members of our organisation it is imperative that we are included.

Mackay Sugar Limited is a major participant in the Australian raw and refined sugar industries and operates three raw sugar factories processing approximately 5.8 million tonnes of cane annually. The factories are supplied with sugar cane by over 1000 cane growing entities which are predominately family owned and operated.

Mackay Canegrowers Limited (MCL) and Mackay Sugar Limited (MSL) will provide submissions to the investigation at the appropriate times.

MCL and MSL opposes the Governments brief to QCA for the following reasons.

- The approach to rate of return on headwork assets is not consistent with that adopted in southern states and is likely to result in water prices in SunWater schemes that are not competitive and would give an unfair advantage to competitors. There are State and Commonwealth Government investment programs which are providing funds to aid southern state schemes to modernise and be competitive. The New South Wales Government has deemed that all assets including headworks prior to 1997 be considered as sunken costs. This is the most practical course of action.
- Canegrowers and Millers, including Mackay Sugar Limited, have borne significant costs in building the infrastructure not only for the benefit of themselves but also for their communities. In the central region they have also had the added burden of paying a renewals annuity. Is part of the rate of return to be repaid to them as "shareholders" of this infrastructure?
- Consumers are unlikely to agree to further investments in infrastructure, social or environmental issues if they are asked to pay for both cost recovery and a rate of return on assets. A very dangerous scenario in light of climate change predictions.
- Overall this myopic approach provides no encouragement to operators and customers to take a strategic view of increasing water usage nor the

implementation of water use efficiency measures. The central region is in the process of providing growers with economic information and real time web based scheduling tools to utilise more water to increase production levels and thereby improve the viability of growers, millers and scheme operators (SunWater). The Mackay Whitsunday region is in a predicament as far as water availability is concerned. The region has built infrastructure and put in place irrigation systems based on supplementary irrigation. To increase production and profitability for the region as a whole requires increased water storage, and the implementation of irrigation efficiencies. This cannot be achieved due to the higher cost of more efficient systems if the water is not available or comes at a higher cost. Where is the focus on regional development, economic, social and environmental issues? Coupled to this argument is the fact that the Pioneer Valley Water Resource Plan has reduced entitlements and allocations to groundwater users exacerbating the problem of meeting crop demand.

- The loss of over 10,800 hectares of land to uses other than sugar cane growing in the Pioneer Valley in the last 10 years has resulted in the closure of one factory as a consequence of the reduced throughput. In the event that higher irrigation charges are proposed this will result in reduced water utilisation within the valley. This situation will reduce productivity further throughout the central region. Further reduction of available cane within the Pioneer Valley will have an affect on the viability of the remaining three factories, which potentially could lead to other mill closures and reduced employment opportunities within the region.
- There is no provision to consider the restructure of schemes to local management which may reduce the need for increased water charges.

Mackay Canegrowers Limited and Mackay Sugar Limited wish to thank you for the opportunity to be involved in this very important issue, and look forward to an open and transparent consultative process.

Yours faithfully



Paul Schembri
Chairman (MCL)



Andrew Cappello
Chairman (MSL)