



# Pioneer Valley Water Co-operative Limited.

A co-operative formed under the *Cooperatives Act 1997*.  
ABN 55 322 373 770.

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Mackay QLD 4740

21<sup>st</sup> April 2011

Queensland Competition Authority  
GPO Box 2257  
BRISBANE QLD 4001

Dear Sirs

**RE: Review of Irrigation Water Pricing in SunWater Schemes**  
**Submission on Consultants Draft Report on SunWater Administration Cost Review**

This submission provides our comments on the Deloitte Draft Report “SunWater Administration Cost Review Phase 2”. Our comments include the further information presented at the Round 2 Consultation meeting in Mackay on 4<sup>th</sup> April.

Our initial comment is that the Draft Report is lacking in detail at the scheme level to allow full consideration of the overhead cost being proposed. This detail was provided through overheads presented at the recent meeting but needs to appear in the report.

Section 3.3 of the draft report states that 34% of SunWater’s expenditure is classified as administrative (overhead and indirect) cost but when examined at a irrigation scheme level overheads and indirects amount to over 50% of operating costs. For the Pioneer WSS the overheads and indirects make up 52% of operating costs. This highlights a major concern with the review conducted by Deloitte in that it has examined the administration costs of SunWater for its full business and not focused on administration cost that should be apportioned to the irrigation sector.

It is understandable that SunWater’s other activities such as infrastructure development and engineering consultancies may well require substantial overheads for their operation but no component should not be included in the costs apportioned to irrigation.

We are also concerned with the statement that utilisation rates of workers in the regions (Infrastructure Management) are assumed to be approximately 77 percent...”. This is a very high level of under utilisation of labour and needs to be examined in detail as part of the complete NSP reviews.

Our other concern with the draft report is in relation to the benchmarking analysis undertaken for SunWater’s administration functions. Although much detail is provided for justification of benchmarking against US utilities, we do not consider the benchmarking to be relevant again because it does not focus

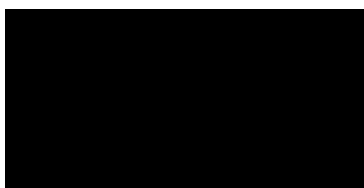
specifically on irrigation. Provision of an irrigation service in Queensland cannot be compared to provision of gas or electricity services in the US which would have a much higher level of customer service standard.

It would be our suggestion that an appropriate benchmark would be to assess the administration costs to operate individual SunWater irrigation schemes at local offices using proprietary products such as accounting packages and outsourcing locally items such as IT support.

In regard to the information provided at the Round 2 Consultation we have the following comments concerning the Pioneer WSS.

- \$80,500 from a total overhead of \$249,000 (32%) is shown to come from IM and ID from other regions. This relates to our comment above on under utilisation of labour.
- \$91,500 of indirect costs is from Customer Support (\$31,900) and Water Accounting (\$59,600) which are largely functions performed by PVWater in the Pioneer WSS. This relates to comments in our previous submissions on the Water Service Delivery in the Pioneer WSS.

Yours sincerely



**J R Palmer**  
**MANAGER**