

Submission

8 March 2019

Mr Charles Millsteed
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Via email: <http://www.qca.org.au/Submissions/Water>

Dear Mr Millsteed,

Re: QCA Consultation Paper – Apportionment of Dam Safety Upgrade Costs

Cotton Australia is the peak body representing Queensland's 500 cotton farmers, who on average contribute approximately \$700-800 million (farmgate) to the Queensland economy.

Cotton Australia is a proud and active member of the Queensland Farmers Federation (QFF) and strongly endorses its submission on the "Apportionment of Dam Safety Upgrade Costs".

Cotton Australia is also aware that a number of regionally based organisations that are associated with irrigation and cotton production will be making submissions to this review, and Cotton Australia strongly urges the Authority to take full account of the matters raised in these submissions.

Cotton Australia will rely on the detailed answers provided by QFF to the Authority regarding the specific questions the Authority has sought feedback on, but makes the following general comments.

General Comments

Cotton Australia is adamantly opposed to any costs associated with Dam Safety upgrades (with regards to existing dams) being applied to the water users.

While Cotton Australia recognises that community safety must be a very high priority, it does not believe that Dam Safety Upgrade costs should in effect be applied retrospectively onto water users.

Once a dam is built it should be genuinely considered a community asset. A dam, even one without controllable gates, will help mitigate the impact of flood flows, and will help to generate wealth for the community and regions.

When all the existing dams in Queensland were being proposed, and the decision made to invest, there was absolutely no intention that users would be saddled with Dam Safety upgrade costs. It is patently unfair to try to apply them now, and what is worse, in a number of cases it is likely to increase water charges to the point that usage will be uneconomic for water users. They will withdraw their usage, and the State will be left with significantly under-utilised assets that will still have to be maintained, but no longer generate the revenue previously raised.

Cotton Australia concedes that it would be a legitimate decision of Government to decide whether users should meet all or part of dam safety upgrades for future new water infrastructure, but emphasises it is absolutely unreasonable to apply the costs to users of existing infrastructure.

The situation is very similar to a government considering new piece of road transport infrastructure. It is a very legitimate role of government to consider whether a new piece of highway should be fully or part-funded by a toll. However, no Australian government would consider retrospectively applying a toll onto an existing highway. The application of dam safety upgrade costs onto current users of existing infrastructure is equally unacceptable.

Cotton Australia recognises that in NSW the Independent Pricing and Regulatory Tribunal (IPART) in part recognised this principle when it decided that any work on any pre-1997 assets, to bring the dam up to 1997 dam safety standards, should be viewed as a legacy cost and funded entirely by government. IPART also went on to rule that post 1997 required upgrades should be funded equally by users and government.

Cotton Australia rejects the second part of this decision, as the dams already existed, and therefore the IPART decision still retrospectively applies costs.

So in summary, Cotton Australia completely opposes the application of any dam safety costs (associated with existing water infrastructure) onto water users.

It can be very strongly argued, that if there was any expectation at all that users would have to bear the long-term dam safety costs at the time of the investment decision, then their support for that piece of water infrastructure may well have been very different.

Cotton Australia does not believe it is appropriate that QCA should even investigate any method of apportionment between users and government.

As a matter of principle, it should simply be recognised that dam safety upgrade costs on existing infrastructure should be recognised as a 100% legacy cost.

As clearly stated above, Cotton Australia holds that position as a very firm principle.

However, if the Authority does not see it as a clear principle issue, it should then reject the suggestion of any user contribution on the grounds of gross unfairness.

It is simply unfair to apply a cost on an irrigator when he or she has absolutely no say in how that cost can be controlled, avoided, or mitigated.

A dam safety upgrade may be triggered by downstream developments that have led to an increase in the Population at Risk, creating a requirement for upgrades; the Australian National Committee on Large Dams (ANCOLD) guidelines could change, sparking huge upgrade costs, and once work is agreed to, history suggests that they are very often subject to significant cost blow-outs. These are all factors outside of the user's control, and are therefore risks that are rightly borne by government.

Cotton Australia would welcome the opportunity to engage directly with the Authority on this issue. General Manager Michael Murray can be contacted on 0427 707 868 or michaelm@cotton.org.au.

Yours sincerely,



Michael Murray,
General Manager