

8<sup>th</sup> March 2019

Professor Flavio Menezes  
Chair  
Queensland Competition Authority  
GPO Box 2257  
Brisbane Qld 4001

Online submission: <http://www.qca.org.au/Submissions/Water>

Dear Professor Menezes,

**Re: SunWater Irrigation Price Review 2020-24**

*Kalamia Cane Growers Organisation Ltd (KCGOL)* is appreciative of the opportunity to provide commentary in relation to Queensland Competition Authority's SunWater Irrigation Price Review 2020-24.

By way of background, Kalamia Cane Growers Organisation Ltd is a not for profit, member focused service association. KCGOL represents approximately 140 sugar cane growing entities in the Burdekin region. At present, these growers supply approximately 1.60 million tonnes of cane annually to Wilmar's four sugar mills. The principal objective of KCGOL is to improve and sustain the profitability and viability of its sugar cane growing members, the sugar cane industry and the Burdekin region.

The Burdekin region is the largest sugar producing area in Australia with sugar cane production covering an area of some 80,000 hectares. Availability to cost effective irrigation from an extensive water supply network system is critical to successful farming operations in this region which has a direct flow on effect to the local communities/businesses.

Majority of our members' source their water requirements from SunWater's bulk water customer, Lower Burdekin Water (LBW) with any likely increase in costs passed on to LBW's customers.

Issues deemed of importance to our members that KCGOL would appreciate QCA taking into consideration as part of the review process include but not limited to:

### **1. Flood monitoring and reporting costs**

Review by Inspector-General Emergency Management's (IGEM) in 2015 of the Tropical Cyclone Marcia floods and Callide Valley found that SunWater should have done more by notifying **the community about the emerging flood risk** at the time. This resulted in a directive to SunWater from the Qld Government for improvement in Emergency Action Plan (EAP) which included the establishment of a dedicated control room staffed continuously during events of this nature. Full costs of flood management including emergency action planning etc. are being allocated by SunWater to irrigators however, it is clearly evident as referenced by IGEM that these services are for the benefit of the wider community. Accordingly, KCGO submits associated costs should be excluded from proposed costs to irrigators.

### **2. Provisions for Dam safety**

Deputy Premier, Hon. Jacki Trad MP directed QCA to review water charges for irrigation customers to include two sets of appropriate prices in relation to prudent and efficient capital expenditure associated with dam safety upgrades; one pricing structure to exclude these costs and one to include apportioning dam safety upgrade capital expenditure.

DNRME Queensland Dam Safety Management Guidelines (2002) which are directly relevant to SunWater in their capacity as a dam owner describes practices dealing with the safe management of dams to **protect the community from dam failure.**

KCGO submits that any dam safety upgrades costs should not be borne by irrigators, given any upgrades have a broader community benefit when considering downstream landowners, State and Federal Government infrastructure e.g. road/rail, flood mitigation for "below the dam" rural townships as well as environmental considerations with sediment runoff/water quality of seagrass ecosystems, inshore coral reefs and the Great Barrier Reef.

The sugar our members produce from the cane they grow is exported which puts them in the unenviable position of being a "price taker" and subject to current depressed world market prices and overseas producing countries. Therefore any increases in input costs cannot be simply passed on to an end user, with farmers currently struggling to absorb escalating costs in inputs such as electricity, fertiliser, rates etc. all at a time when current world price for sugar is at best average. To seek a

contribution from our members/irrigators for dam safety upgrades will be well beyond ***their capacity to pay.***

SunWater Price Review Submission that incorporates provision for dam safety upgrades for Burdekin Haughton Water Supply Scheme proposes price path increases over the next four years of 25.4% and 17.0% for Fixed Part A and Variable Part B respectively for bulk water distribution and 265.9%, 17.50%, 17.00% and 26.9% for Fixed Part A, Fixed Part C, Variable Part B and Variable Part D respectively for channel distribution. KCGO submits that these price path increases are well beyond our members and Burdekin irrigator's **ability to pay**. Any cost increase has a flow on effect throughout the Burdekin region i.e. less funds growers have the less money is being spent within the local community.

Valuer-General's 2019 Property Market Movement Report for North Qld provides further evidence as to the importance of a viable sugar industry and subsequent impacts on the local community in the Burdekin Shire "The local economy is to a great extent, reliant on the health of the agricultural sector, particularly sugar cane", "Increased vacancies within the commercial sector have resulted in minor reductions in the values of lands within the Queen Street precinct and adjacent commercial lands".

Accordingly, KCGOL is of the strong belief dam safety and associated costs are for the benefit of the whole region and recommends that this expense should continue to be absorbed by the State Government.

### **3. Insurance**

Burdekin Haughton Bulk Water Service Contract, section 4, table 6 shows actual and estimated insurance costs for 2016/17, 2017/18, & 2018/19 to be well in excess of that recommended by QCA. SunWater has forecast an increase in insurance costs in both their bulk water and distribution service. KCGOL recommends SunWater be requested to provide evidence that their insurance program is being managed effectively including that only insurable assets are being insured.

QCA consideration of points that have been raised in our submission would be greatly appreciated.

Yours faithfully



Les Elphinstone  
**Manager**