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**ASMC Submission to
Queensland Competition Authority
regarding
Irrigation Prices for SunWater Schemes :
2011-2016**

The Australian Sugar Milling Council (ASMC) is a voluntary organisation, established in 1987 to represent Australian raw sugar mill owners. The Australian sugar cane industry is located mainly along Australia's eastern coastline, from Mossman in far north Queensland to Grafton in northern New South Wales.

The Australian sugar milling industry comprises 25 sugar mills owned by ten different proprietary companies and co-operatives. As the peak policy forum for mill owners, ASMC facilitates the commercial development of the sugar industry in Australia, by working with its members, other industry organisations and government to develop and promote policies that enhance this industry development. Membership represents some 95% of raw sugar produced in Australia.

ASMC exists to drive a profitable and sustainable sugarcane industry through:

- Dynamic leadership
- Strong and effective advocacy; and
- Creating new opportunities

Approximately sixty percent of farmers supplying sugarcane to our members' mills for processing access irrigation water via SunWater schemes

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The referral notice from the Premier and Treasurer of Queensland to the Authority, dated 19 March 2010 directs the Queensland Competition Authority (QCA) to develop irrigation prices to apply to SunWater water supply schemes from 1 July 2011 to 30 June 2016.

The notice includes matters the QCA must take into consideration and this submission offers some comment on these matters and provides an opinion on some important related issues.

1. The efficiency of SunWater's structure and operations.

The Minister's direction states that the QCA's findings should provide a revenue stream that allows SunWater to recover its efficient, operational, maintenance and administrative costs. As part of this process it should be incumbent upon the QCA to conduct an investigation into the efficiency of the SunWater structure.

The Milling Council does not consider that a direction to SunWater to introduce greater transparency into their costs will deliver an acceptable outcome. QCA must satisfy itself that SunWater does operate in the most efficient manner and an approach to this would be to conduct a benchmarking exercise against operators of similar schemes such as Murray Irrigation Limited and the Goulburn Murray Water Corporation.

This will enable the QCA to form a view on SunWater's business model and its effectiveness in terms of its efficient, operational, maintenance and administrative costs. An appropriate baseline for this benchmarking would be the unit rate per delivered megalitre of water.

2. Assets upon which a rate of return may be recovered

While the Ministers have directed that irrigation channel distribution systems assets should be valued at zero there is a suggestion that a rate of return will be sought on long existing headworks infrastructure.

This is inconsistent with the approach taken in States such as New South Wales and Victoria where all headworks infrastructure in situ by 1997 is valued at zero. For Queensland to continue to seek a return on such assets is not reasonable in general terms and for farmers in areas such as the Burdekin River Irrigation Area and the Emerald irrigation Area it lacks any equity.

Farmers in both these areas have previously paid for water rights when they purchased their farms so there is a clear element of double dipping. In addition, where crops that are grown in these areas compete in the market place with crops grown in NSW and Victoria irrigation areas where the headworks assets have been valued at zero, the Queensland based suppliers are at a significant disadvantage because of the additional element contributing to the price they pay for water.

3. Capacity to pay and cross policy signals

The Milling Council urges QCA to exercise caution when determining any potential for an increase based on the capacity to pay of irrigators.

While agriculture remains an important component of the State's economy, it continues to be (as has always been the case) subject to seasonal variation which can impact from year to year on the commercial returns available.

Attempting to include an increment in water pricing based on an irrigator's capacity to pay could also produce the perverse result of impacting the irrigator's ability or capacity to implement water use efficiency measures as encouraged or even regulated through other policy directions of Government.

While not directly engaged with irrigators, the Milling Council as the peak body for sugar milling companies operating in Queensland has a defining interest in any issues which might have the potential to put at risk the ongoing sustainability of suppliers to our members' sugar mills.

The Milling Council has previously registered an interest directly with the Authority and requests that it be included in the list of stakeholders to receive issues papers and reports related to the investigation.

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