

FACT SHEET

Seqwater Irrigation Prices for 2013-17 – Overview

In 2012, the previous State Government directed the Queensland Competition Authority (QCA) to recommend water prices for nine irrigation tariff groups in South East Queensland from July 2013 to June 2017. The Government directed that, over time, irrigation prices should recover the prudent and efficient asset renewals and operating costs for each scheme.

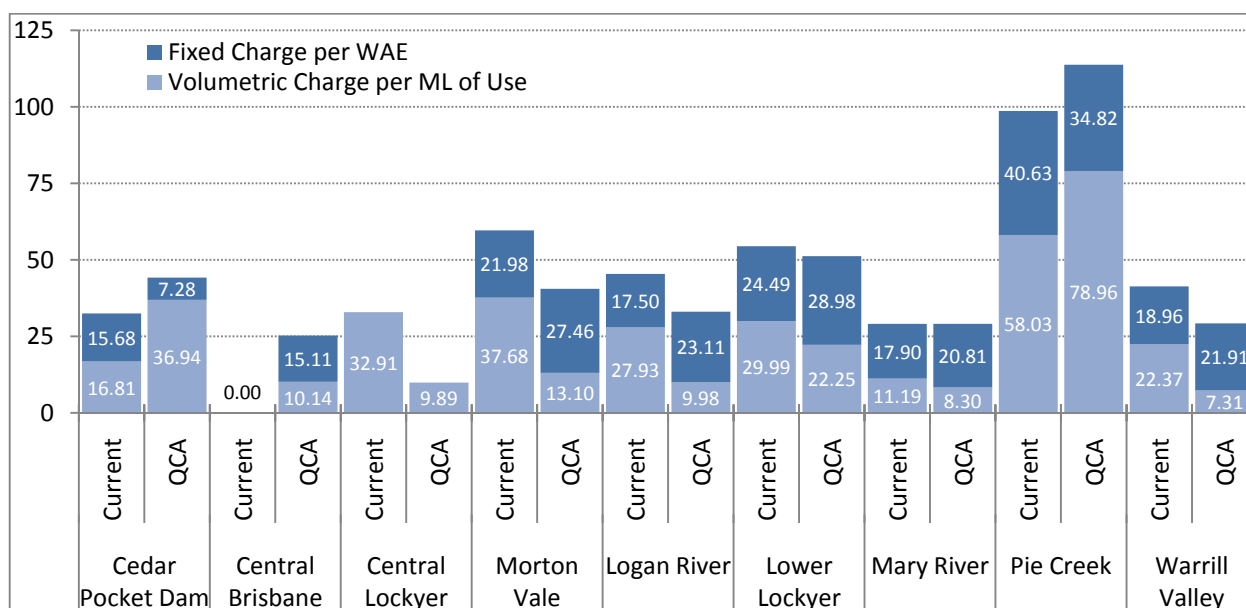
After extensive consultation with irrigators, the QCA has released its Final Report. Where prices are required to increase, the QCA recommends gradual price increases which would see irrigators pay more towards the cost of each scheme. However, in most schemes, prices will not cover costs during the next four years.

Prices

The QCA recommends two-part tariffs consisting of a fixed charge per megalitre (ML) of water access entitlement (WAE) and a volumetric charge per ML of water use. This ensures the equitable sharing of costs.

Fixed charges are set to at least maintain average irrigation revenues for 2006-12. Variable costs (e.g. a portion of labour and electricity pumping costs) are recovered through volumetric charges. Figure 1 compares 2012-13 prices with the QCA's recommended prices for 2013-14.

Figure 1: Current and Recommended Prices for 2013-14



Note: Adding the fixed and volumetric charges can be misleading in terms of price-impact, as volumetric charges only apply where water is used. Consequently, an irrigator's unique water-use profile will determine the change in individual irrigation water bills from year-to-year. An indicative bill analysis appears in each scheme's fact sheet.

Each irrigation scheme is on a price path towards break-even costs. After tariff rebalancing on 1 July 2013, the recommended volumetric charges then increase by CPI (2.5%) for each subsequent year of the price path. However, where current revenues are below recommended costs, the recommended fixed charges increase each year at \$2/ML plus CPI (2.5%) until either cost recovery is reached or until 2016-17 when the four-year price period ends.

Costs of Irrigation Services

At the start of the review, Seqwater estimated its irrigation costs would be \$5.6 million for 2013-14. Figure 2 shows the breakdown of these costs: renewals provide for renewing and rehabilitating existing assets; direct operating costs include maintenance and on-ground staff; and non-direct costs include overheads and central-office administration costs.

After review, the QCA reduced these costs by about 20%, saving irrigators over \$1.1 million (see Figure 3).

Figure 2: Total Irrigation Costs

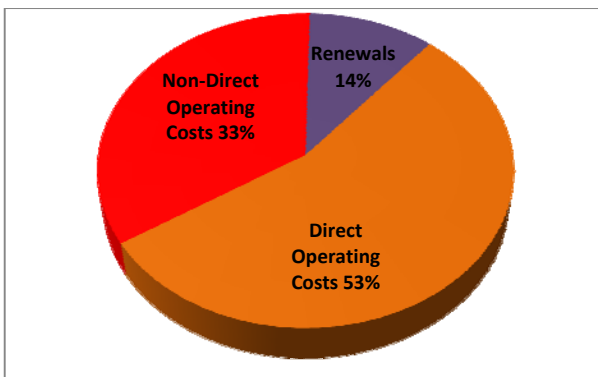


Figure 3: QCA Recommended Costs (\$ million)

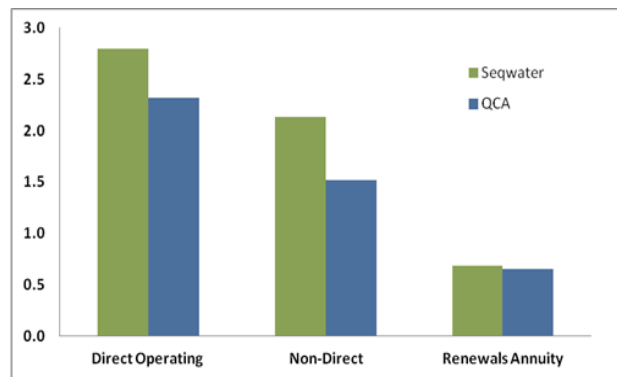
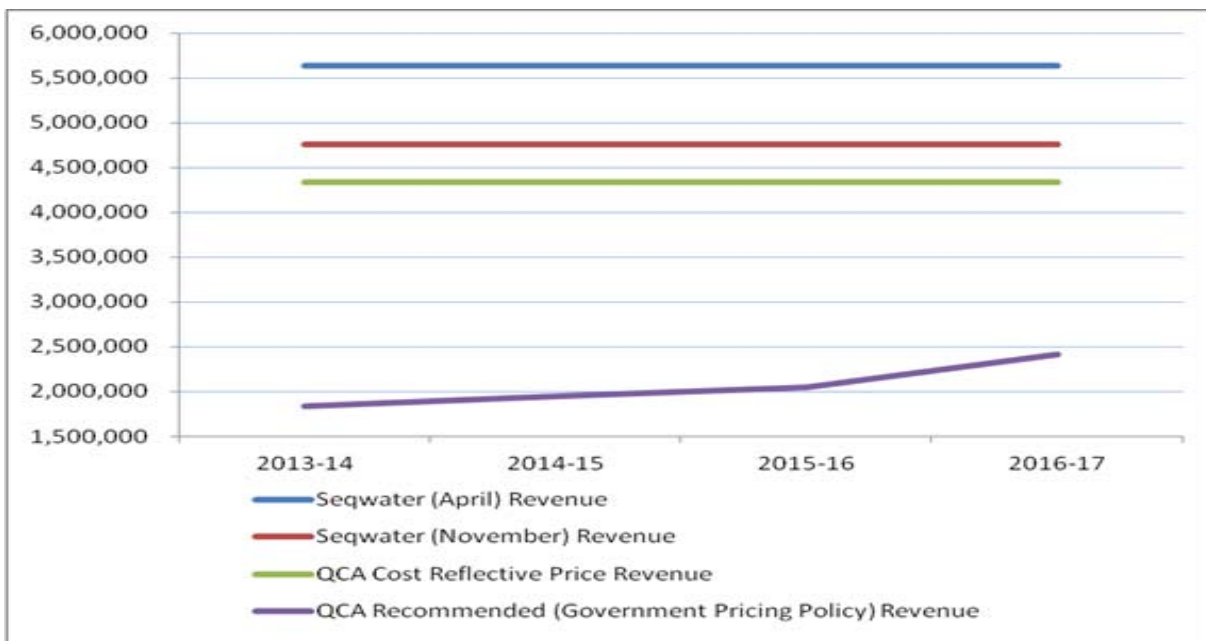


Figure 4 compares the range of revenue targets which could have been applied to the nine tariff groups. The QCA's recommended prices show a gradual shift towards cost-recovery over the next four years.

Figure 4: Comparison of Irrigation Revenues 2013-17 (Real \$)



In 2013-14, the recommended prices would mean irrigation revenue of about \$1.7 million (compared to total costs of about \$4.5 million), implying a subsidy to irrigators of about \$2.8 million for 2013-14. This subsidy, paid by the Queensland taxpayer, will reduce over time as recommended prices increase.

What Happens Now?

The Government will consider the QCA's report and decide whether the recommended prices will apply from 1 July 2013 to 30 June 2017.