From:	Robert Hinrichsen [robert@kalfresh.com.au]
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To:	Water (External)
Subject:	Warrill valley irrigation scheme

To Whom it may Concern

I have just left a meeting with McDonald and Bradbury in which the price path for the said scheme was discussed at length. During deliberations we learned that our Part A charge is to rise from $18.96 to $20.39, a rise of 7.5%. More disturbing is the proposed rise in the Part B tariff from $22.37 to $34.52 a rise of 54.3%. My personal belief, and the overwealming view of the customers gathered is that this rise is unacceptable.

Based on the cost data submitted there is a great disparity between the estimated water uptake from the scheme and the probable uptake. In any case, the very low uptake figure used in calculating part B potentially distorts the figure to the extreme. Due to overtly dry and then wet conditions over the past 10 years, no firm understanding can be gained as to what actual uptake is likely to be. Therefore we do not see justification for such a marked increase in one hit.

Surely a more fair outcome would be to split the rise in Part B to more fairly represent the likely uptake. This would result in a rise of Part B to $28.45, a rise of 27.15%.

It was clear from our meeting that Mr Bradbury is a very clever man, and Mr McDonald is a near mathematical genius. And while their methodology was clear and plain, I have severe reservations with their 'principals' as they call them.

1. It is obvious that the object of water pricing is to recover the fixed and variable costs of running the scheme. While this is a great outcome for SEQWater it fundamentally means that the only group carrying the entire financial risk for the schemes is the growers. No matter how much water is supplied, even at 0%, SEQWater gets to cover its costs. This is hardly 'burden sharing' and in no way reflects any other commercial reality we deal with in business.
2. With uptake from the Warrill Valley scheme running at about 14% I find it amazing that SEQWater takes no responsibility for inspiring demand for its product, and even in the face of falling demand for water now moves to drive the price up further. In the real world, lower prices inspire demand, which flies in the face of the direction of driving the water price up. Even now I don't believe SEQWater can see the detrimental effect rising prices will have on already ailing demand. Surely it is more viable for SEQWater to lower prices in an effort to inspire the 'sleepers and dozers' back into the water market to share the cost burden. Surely they are better off with 50% of something than 100% of nothing.
   In business that is called taking a commercial risk, which SEQWater seems immune too. It is far easier to jack up Part B on the remnant of water users.
3. With the 'cost recovery' model there is no understanding or empathy for the economic realities that confront the industries SEQWater serves. With the dairy sector struggling with $1 milk, and the produce industry on its knees with unfettered imports, rural business has never been more difficult. The loss of Tariff 22 night power rates, coupled with rising water costs will be the knockout punch for many growers with respect to irrigation. The fact is governments of all levels and persuasions expect and demand cheap, quality food, and have sanctioned the retail market reality we all face every day to make that happen. It disturbs me that no government recognises this fact and cuts farmers some slack in respect to controlling their costs.
4. It disappoints me that the managers of the state's water assets are always so negative and stifling. There is a reason for the majority of 'sleepers and dozers' in this scheme and it is a reflection of the poor management and confidence crushing style of Sunwater. We all lived through the drought years when Sunwater would rather sit on water than sell it to irrigators at commercial rates. In those years evaporation was the biggest customer of

the Warrill valley scheme. It belies the millions of dollars we invest, the hundreds we employ, the exports we generate and the nation we feed at home.
The price path you propose, and the methodology thereof, becomes just another in the line of Government departmental financial hits we continue to take in industries where we cannot pass the cost on. With this price path you take far more than our money, you steal our confidence, and that is a toxic thing in rural communities.

What we are hungry for out here are managers who can give a bit, not just take. Who can inspire water use and participation with novel and imaginative pricing that goes beyond 'how do we recover costs?' Who can create a spike in water demand by their positive outlook and acute understanding of our needs. Do that, and you might get more than 8 people at a meeting.

Yours Faithfully,

Robert Hinrichsen
Kalfresh Pty Ltd
Mobile 0412 700 570
Phone (07) 5463 7290
Fax (07) 5463 7014
www.kalfresh.com.au

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