QUEENSLAND FARMERS' FEDERATION

Interim Submission - QCA SEQWater Irrigation Price Review – Implementation of the State Government's revenue maintenance policy

QFF remains concerned about the QCA recommended prices for 2013-14 in those schemes that recorded well below average use over the past 10 years. I refer particularly to recommended prices in the Warrill and Lower Lockyer Schemes where the volumetric charges increase by 53% and 44% respectively on the volumetric charges for both schemes in 2012-13. Any increase in usage over the coming price path will impose a significant penalty on irrigation customers in these schemes. For example, a lift in usage across the Warrill Scheme to 30% will see an 18% lift in the average total charge per megalitre. In the Lower Lockyer the increase would be 14%. Of greater concern is the impact that the recommended prices will have on the larger irrigation enterprises that seek to maximise use under all water supply conditions. Above average use would attract prices increases up to 30% in the Warrill and 25% in the Lower Lockyer. This together with low fixed tariffs in both schemes of around 40% of total charges will discourage increased usage on farm and trading of unused entitlements. It needs to be recognised however, that customers that hold sleeper licences or make limited use of their entitlements would favour tariffs with low fixed components.

This outcome results from tariff assessments made to implement the Queensland Government's revenue maintenance policy given the very low water use for these schemes over the past ten years. The QCA scheme reports don't provide data on the actual water use assumptions used to assess each of the tariffs required to maintain revenue levels for these schemes. QCA used 'a water use estimate based on the average of those years that exceed the ten year average for each tariff group' (Volume 1 page 226). The Authority argues that this approach would recover the 'typical costs' for management practices SEQWater has in place 'to ensure services are made available when required.' They argue a longer period of say 15 years would fail 'to recognise structural changes occurring in water use, while a shorter period (say the most recent five years) would reflect the most recent years of flood and drought.'

QFF submits that average use over the past ten years is not typical for these schemes. Tariffs assessed on this use level or one derived from the above analysis discourage water trading and investment on farm to lift use levels.

It is interesting to look at schemes such as Logan River and Mary Valley which have 10 year use averages of between 24 and 40%. Price recommendations for these bulk schemes do not show the patterns for the Warrill and Lower Lockyer. In particular, fixed tariffs are higher 60 to 70% and total charges decrease with increased use by up to 21% in the Logan and 5% in the Mary. It is submitted that SEQWater is more geared to service these levels of use and therefore recommended tariffs are more reflective of typical cost levels.

QFF recommends that QCA examine options that will provide better assessments of 'typical' use for the purposes of implementing the State Government's revenue maintenance policy. One option would be to look at average use exceeding the fifteen year average. While this approach may fail to recognise structural changes in use that may have been occurring, it needs to be recognised that the currently recommended prices will impede change in these schemes over the next 4 years.

This is only an interim submission to address this issue of importance. QFF will be making a more comprehensive submission when we have had adequate time to consult with each scheme.