growcom
together we grow

The Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane Q 4001

8 September 2010.

Dear Sir

Re: segmented water pricing in Bundaberg

As you may be aware Growcom is the peak representative body for the fruit and vegetable growing industry in Queensland, providing a range of advocacy, research and industry development services. We are the only organisation in Australia to deliver services across the entire horticulture industry to businesses and organisations of all commodities, sizes and regions, as well as to associated industries in the supply chain. We are constantly in contact with growers and other horticultural business operators. As a result, we are well aware of the outlook, expectations and practical needs of our industry.

The Qld Competition Authority (QCA) is in the process of developing irrigation prices for SunWater water supply schemes for the period July 2011 to June 2016. There are many issues of concern to our growers in the course of this project, and Growcom will be providing a comprehensive submission to the QCA as appropriate, however I'm writing specifically today to express our concern at the development of any proposal that would lead to a segmented regime for pricing water in the Bundaberg region.

We believe that setting prices to address differences in the cost of supplying water to different segments will be a significant issue for channel and river based irrigation schemes such as Bundaberg, and that any such proposals be put on hold until the complexities of implementing this approach in this scheme are fully understood and resolved.

These issues include:

The pricing of water should not be assessed simply on the basis of the cost of powering the supply of water to different parts of schemes. All key cost items in the Bundaberg scheme need to be assessed including rate of return on dams, weirs and other bulk supply assets, electricity, maintenance, weed control, delivery losses and any other costs that significantly vary between segments.

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The assessment would have to consider if cost differences were material across segments to decide whether it was feasible to apply differential pricing.
It could well be that differential pricing will result in stranded assets, growers going out of business, land going out of production, and/or the average cost of water for remaining growers increasing.

Perhaps pricing assessments should take into account poor decisions made in developing the scheme in the past. Should growers pay a premium for water supplied through flawed processes? Was it the best option to supply a scheme segment from an instream dam? Are river pumps, channels and piping located in the best position to supply a scheme segment? The information available on the costs of suppling water to different parts of the scheme must be adequate to allow accurate assessments of segment costs.

There are many further issues associated with segmented pricing and different tariffs, and the effect of price differentials on the ability of irrigators to trade water between segments.

We believe that a thorough analysis of these issues would not support the development of segmented water pricing in the Bundaberg area, and this position is supported by all of the sustainable fruit and vegetable growing enterprises in the region, the Queensland Farmers Federation (QFF) and the Bundaberg Fruit and Vegetable Growers Association (BFVG).

I would be happy to discuss this matter further with the Queensland Competition Authority.

Yours sincerely

[redacted]

Scott Wallace
Growcom Land and Water Manager