5th May 2010

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Queensland Competition Authority
Level 19
12 Creek Street
Brisbane 4000

Dear Sir/Madam

I am an irrigator in the South Kolan area and I source irrigation water from the Burnett River and to a lesser degree from the Bingera Channel.

I participated in the price path negotiations as an industry representative with Sunwater and within Queensland Government guidelines in 2005. During these negotiations the bench mark was determined to be the "lower bound" or the efficient cost of operation maintenance and refurbishment, to be introduced over a 5 year time frame.

An issue irrigators had with the process was that the Queensland Government ruled that schemes should have structured prices to reach the "lower bound" by the end of the five year price path, however, sectors which were currently above the bench mark could not reduce to comply and would continue to attract CPI increases annually. As a result some irrigators have been charged above the "lower bound" over the price path period.

Industry representatives and irrigators accept the prerequisite that the cost of operation and maintenance must be met, however, do not accept that a rate of return should be introduced on sunken assets, in many cases forty years old and never provided by Government with a requirement for a return on investment other than the enhancement of the areas economic well being.

A majority of Bundaberg irrigators believe that cross subsidization of water delivery charges across scheme sectors where those delivery costs (pumping) vary considerable by sector should be discontinued in favour of differential pricing as is applied to the water charges associated with the recently built Paradise Dam.

The Bundaberg Irrigation Scheme was designed around two major storages in the 1960's, one on the Kolan River and a second on the Burnett River. The scheme channel and reticulation infrastructure was completed in 1991 and continues to operate without the security of the newly completed Paradise Dam providing any supply service to allocation holders. Water supply from the Paradise Dame is only available by way of the purchase of further insecure nominal allocation, while at the same time irrigators pay a fixed component based on current nominal allocations while unused water evaporates in the Paradise storage. Sunwater did provide some relief during 2009 by way of a one off temporary transfer at a further cost to irrigators.

Surely an element of the yield of the Paradise Dam could be designated to service the currently held nominal allocations as opposed to capital sales of all the water which simply expands under supplied water allocations.

The Queensland Government is seeking a return on invested capital, i.e. the Paradise storage and this could be achieved by the introduction of a sensible annual levy on all allocations to offset the provision of an element of the Paradise yield to provide the necessary water supply security. The remaining surplus Paradise storage yield could be marketed as at present in order to further offset the Government investment in the infrastructure. Irrigators would be comfortable with a reasonably high fixed component in a water charge if good supply security could be achieved in most years.

Surely the first priority of an irrigation scheme should be the stability and enhancement of the districts and the States economy and not dominated by a perceived requirement to provide direct Government income. A fair and justifiable water price is important in the delivery of irrigation water; however, the single most important element is the regularity of supply.

The following are some of the issues we would like the QCA to consider.

Meeting <u>efficient</u> cost only, i.e. the "Lower Bound"
Once established, the "Lower Bound" applies to all irrigation sectors where it is at all feasible.
No rate of return on assets long since written off.
Pricing by sector (differential pricing) - to recognize cost of delivery to those sectors
In the case of the Bundaberg Scheme, a recognition that a portion of the yield of Paradise Dam should be used to meet the supply requirements necessary to service current scheme nominal allocations and making fixed allocation charges an acceptable component of the pricing structure.

Yours faithfully

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N S Baldwin