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Attention: Queensland Competition Authority

INITIAL SUBMISSION

WWF is one of the world's largest independent conservation organisations, with 90,000 supporters in Australia and 12,000 in Queensland.

We strongly support the Government's move to review and increase the water price paths.

We also strongly support the increased role of the QCA in recommending the draft paths as a mechanism to increase confidence in the eventual price paths.

As long term supporters of the 1994 CoAG Water Reform Agenda and then the National Water Initiative, WWF believes strongly in commercial prices for water, including recovery of:

- all efficient operational costs
- depreciation
- commercial return on investment rates which reflect the high risks of infrastructure financing in current world markets and the likelihood of diminished flows (and viability) in a changed climate
- water and other natural resource management costs, including planning, assessment, monitoring and compliance
- externalities, particularly including fisheries impacts which are relatively easily valued.

Unfortunately it appears that the state's pricing framework does not allow all of these elements to be recovered and therefore has already been undermined by several significant concessions to the irrigator lobby.

We do not support valuation of channel systems at zero. Without commercial prices, water will not flow to its highest and best use, and water assets will not be optimally managed. There is also the continuing risk of artificially inflated demand for new infrastructure which is effectively subsidised by taxpayers for the profit of a few, and to the cost of the environment and downstream users. Nor do we support valuation methods which pre-empt an assessment of future prices and capacity to pay. We support valuation of historical cost to the taxpayers who paid to build this infrastructure, and for those historical values to be in real terms at 2010 dollar values. Given the incredible rise in construction costs over the last decade historical cost in real terms would still represent a significant discount to contemporary infrastructure replacement cost.

We also hope you will recommend that full commercial prices are paid within the next few years. 15 years is not commercial and therefore too long. Current high prices for sugar and other commodities indicate a strong capacity to pay, as does any true analysis of the relatively low portion of past irrigator business costs attributable to water charges in most schemes. It should also be recognised that irrigators have had the benefit of cheap water for a long time. This reform agenda has been flagged since at least 1994. The current price paths were a very generous concession and were previously intended to recover capital costs until the then Premier sought to make a concession to the irrigator lobby. The time has come - indeed it is overdue - for water prices which tell the truth of water costs in world's driest inhabited continent.

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To do otherwise is simply inequitable given we have been advised that other sectors such as urban and mining pay prices at or far closer to commercial rates. Just like irrigators, miners too must compete internationally, take on significant risks and often accept prices determined by demand and supply. Although they should pay more to reflect greater security and higher treatment costs, we understand even after adjustment for these factors there exists a significant recovery gap between sectors that should be eliminated by this process.

This is particularly so given the poor adoption within the irrigation sector of drip, low pressure overhead irrigation or other water efficient technologies. It appears that irrigation water is still just too cheap to encourage the behaviours that properly reflect increasing water scarcity and high environmental footprint of use. This is particularly so when you consider we have been in drought for much of the past decade. We would however be supportive of pricing discounts, where irrigators have adopted water efficient technologies and best practice management to address the environmental externalities associated with irrigated cropping, and have thus reduced their water footprint

Uncommercial schemes should be deconstructed, as has occurred overseas. It is a breach of the NWI principles if capacity to pay is so low that irrigators ask taxpayers to pay or sub-optimally invest to keep such schemes afloat. It is also an incredibly wasteful use of public funds in business welfare. Water provision is not, or should not be, the welfare system. The longer these schemes are operated the longer the taxpayer must foot the bill, therefore the fairest option to the taxpayer is to deconstruct the infrastructure and allow natural flows to be reintroduced to maximise environmental and fisheries productivity.

Going forward, WWF seeks close involvement in each stage of the process to develop the new paths. We are also particularly interested in how capacity to pay will be estimated and the pricing of drainage infrastructure given the risks it often poses to the Great Barrier Reef and other water bodies.

Could you please circulate future papers to us and provide details of the contact officers with whom we can meet at your earliest convenience to discuss our concerns and learn further about the approaches to be taken.

Kind regards

[redacted]

Program Leader - Water
Queensland State Manager
[redacted]