



QCA Pricing Review of RAB-based irrigation prices 2027–29

QCAR / ACFA Collective Submission — 14 April 2026

Attention: Queensland Competition Authority

Executive Summary

The Cane Industry Collective of the Queensland Cane Agriculture and Renewables Limited (QCAR) and its controlled entity, the Australian Cane Farmers Association Limited (ACFA), together “the Collective”, welcomes the opportunity to provide this collaborative submission to the QCA’s interim investigation and report on appropriate prices for the irrigation services provided by Sunwater and Seqwater.

The Collective’s core position is that the proposed transition from the Renewals Annuity (RA) approach to a Regulatory Asset Base (RAB) approach represents a significant pricing change which will affect our members. The RA approach enables farmers to plan and pay ahead of time, building reserves for future asset renewals. The RAB approach, by contrast, is the equivalent of accumulating debt on a credit card, expenditure is incurred and recovered after the fact, with a return on capital added on top.

The Collective’s position is that the RA approach should continue. If it cannot continue, an alternative to, or a substantially modified version of, the RAB approach must be developed through further genuine stakeholder consultation. The modelling presented in the QCA’s Consultation Paper does not accurately represent the reality of actual scheme conditions and is an insufficient basis for a decision of this scale.

Who We Are

The Collective’s member organisations represent approximately 15% of sugarcane farmers and 15% of total sugarcane production in Australia. QCAR is recognised as a key stakeholder and peak body consulted on various industry matters.

QCAR (formerly Pioneer Cane Growers Organisation Ltd) member organisations operate across cane growing regions from Far North Queensland to the northern tip of New South Wales.

The sugarcane industry’s contribution to the Australian economy is well documented. In a joint 2024 submission to the Primary Industries & Resources Committee’s Inquiry into sugarcane bioenergy opportunities in Queensland, the Department of Primary Industries and State

Development, Infrastructure and Planning together with Treasury reported that in 2024 the industry produced 28.8 million tonnes of cane, with the value of sugar, electricity and molasses produced from the crop approaching \$3 billion. Australian sugarcane production has the potential to grow to an estimated \$3.6 billion over the next five years and has the potential to underpin the State Government's commitment to increasing the value of agricultural production to \$30 billion by 2030.

The Review

The Collective is responding to the QCA's interim investigation and report on appropriate prices for the irrigation services provided by Sunwater and Seqwater, derived using the Regulatory Asset Base (RAB) approach. The review focuses on the practical considerations of transitioning from the existing Renewals Annuity (RA) approach to a RAB approach, including the treatment of renewals expenditure and related implementation and transition matters.

Key Concerns and Analysis

1. Accuracy of the RA Approach Example

The Collective questions whether the annuity example presented in the Consultation Paper (Table 2, p. 9) is an accurate or reliable representation of how a Renewals Annuity operates in practice.

The renewals expenditure used in the example would likely have been funded over the preceding 30-year period. This would have resulted in materially different annuity balances and annuity interest outcomes to those shown. An example using a live annuity-based capital replacement scenario, one where a scheme had a positive annuity balance, would have provided a far more instructive comparison against the same variables under the RAB approach.

2. Inadequacy of Historical Modelling

The Collective believes it would not only have been useful to see an analysis of how RAB-based capital allowances and balances would have evolved over the past 10–15 years using actual data from example schemes with differing annuity balances. It considers the failure to do so means the modelling does not accurately represent the reality of the situation.

This concern is sharpened by the significant variation in actual scheme positions. For example:

- Mareeba-Dimbulah Distribution irrigation scheme: closing balance of +\$13.69M
- Burdekin-Haughton Bulk and Distribution schemes combined: +\$6.11M
- Callide Valley Bulk irrigation scheme: −\$29.99M
- Bundaberg Distribution scheme: −\$9.25M (Sunwater response, Section 4.3)

Where a scheme has a positive annuity balance, this reflects appropriate scrutiny of the renewals program and effective long-term asset stewardship. The Collective holds the view that

schemes with positive balances should have formed the primary basis for any modelling exercise, as they represent the system working as intended.

The Collective also believes an investigation into why some schemes have accumulated such large deficits and what steps have been taken to arrest those deficits, would have been valuable in informing the approach for other schemes.

3. Asset Planning and Long-Term Renewals Visibility

While acknowledging that the RAB approach may provide a more direct link between project delivery and revenue, the Collective shares the concerns raised by other stakeholders that under the RAB approach there may be less visibility of long-term renewals planning. This reduced transparency could undermine the ability of irrigators to anticipate and plan for future price movements.

4. Operational Efficiency of Sunwater and Seqwater

The Collective has stated in previous irrigation review submissions, and reiterates here, that there should be an equal focus on Sunwater and Seqwater achieving operational efficiencies in their annual operational costs, commensurate with the cost recovery expectations from customers.

Government monopolies must share in the price pain. The continuing rise in the price of water, alongside other input cost increases, makes farming increasingly unaffordable. Sustained unaffordability will adversely impact the sugarcane industry by reducing the ability to retain existing farmers and diminishing the incentive to attract new entrants. This directly threatens the achievement of the Government's \$30 billion agricultural production target under Prosper by 2030.

5. Price Target Instability During Transition

The Collective notes that the QCA acknowledges that during the transition to the RAB approach, schemes with low opening RABs may experience upward price target pressure (Table 1, QCA Consultation Paper). This would distinctly disadvantage those schemes that have successfully managed their assets and developed significant RA balances, effectively penalising good stewardship.

It would also be likely to result in an initial price reduction followed by material price increases in later years, an outcome that creates false comfort for irrigators in the short term and significant financial stress in the medium term.

6. Expenditure Categorisation Concerns

The Collective supports concerns raised by another stakeholder that Sunwater's renewals expenditure classified as operating expenditure (opex) appears understated, including through the capitalisation of "corrective maintenance", with expenditure classified as capital expenditure (capex) appearing overstated.

This mis-categorisation matters because under the RAB approach, capex attracts a return on capital, creating a financial incentive to classify expenditure as capex rather than opex. If uncorrected, this could produce a perverse outcome where cost recovery is inflated beyond what is warranted.

7. Absence of Comparative Jurisdictional Analysis

The Consultation Paper does not include an analysis of the experiences of other jurisdictions that have transitioned from the RA approach to a RAB approach. Understanding what has and has not worked elsewhere is essential context for a decision of this significance, and its absence is a material gap in the evidence base.

8. Lower Bound Cost Outcomes

The Consultation Paper does not address which renewals cost recovery approach produces outcomes closest to lower bound costs. This analysis is directly relevant to assessing the impact on irrigators and should form part of any final determination.

Formal Recommendations

On the basis of the concerns and analysis set out above, the Collective makes the following formal recommendations to the QCA:

1. That the QCA extend the consultation period and commission new modelling using actual historical data from schemes with both positive and negative annuity balances, to provide an accurate representation of how the RAB and RA approaches would have operated in practice over the past 10–15 years.
2. That the QCA publish a comparative analysis of other jurisdictions' transitions from the RA to the RAB approach; including outcomes, lessons learned, and any modifications made, before finalising its approach.
3. That the QCA require Sunwater and Seqwater to demonstrate genuine operational efficiency improvements as a condition of any price increase, with targets set and performance reported publicly.
4. That the QCA investigate and publicly report on the reasons why certain schemes have accumulated large annuity deficits, and what remediation measures have been or should be taken.
5. That the QCA conduct a rigorous review of Sunwater's expenditure categorisation to ensure that renewals expenditure is correctly classified as opex or capex, and that any misallocation is corrected before being used as the basis for price-setting.
6. That the transition arrangements include specific protections for schemes that have maintained positive annuity balances, ensuring that effective long-term asset stewardship is not penalised under the new approach.
7. That the QCA publish analysis identifying which renewals cost recovery approach produces outcomes closest to lower bound costs, and that this analysis inform the final determination.
8. That the RA approach be retained as the primary mechanism for renewals cost recovery. If the RA approach cannot be retained, the QCA must develop a substantially modified RAB approach through further genuine consultation with key stakeholders, including the Collective, before any transition is implemented.

Conclusion

The Collective regards the proposed transition from the RA approach to the RAB approach as a consequential pricing change which will affect its members. At its core, the RA approach allows irrigators to plan and pay ahead of time, contributing to asset renewals in an orderly and transparent way. The RAB approach shifts this logic, expenditure is incurred and recovered after the fact, with a return on capital added, in a manner more akin to accumulating debt than managing a long-term investment.

The modelling presented in the Consultation Paper does not reflect the complexity and diversity of actual scheme conditions. Schemes that have managed their assets well and maintained positive annuity balances should not be disadvantaged by a transition to an approach modelled primarily on deficit schemes.

The Collective urges the QCA to take the time needed to get this right. The recommendations above are made in good faith and with the genuine intent of achieving a pricing framework that

is fair, transparent, and sustainable for the sugarcane industry and the broader agricultural sector that depends on affordable irrigation water.

Position statement

The Collective's position is that the RA approach should continue.

If it cannot continue, an alternative to, or a substantially modified version of, the RAB approach must be developed through further genuine stakeholder consultation.

The review outcomes must reflect a long-term policy that focuses on investment in the future of Queensland agriculture.

Submitter Details

Organisation	Queensland Cane Agriculture and Renewables Limited (QCAR) and Australian Cane Farmers Association Limited (ACFA) - together "the Collective"
Submission type	Online submission
Date	14 April 2026
Address	142 Young Street, Ayr QLD 4807